

OVERSEAS NEWS

Delors to brief ministers on monetary study

BY DAVID BUCHAN IN BRUSSELS

MR JACQUES DELORS, the European Commission president, will brief EC finance ministers today on how he plans to steer the work of the controversial new committee set up to propose within a year further steps towards European monetary union.

Central banks set to agree capital rules

By David Lascelles, Banking Editor

GOVERNORS from the world's leading central banks are expected to approve proposals for a new accord on bank capital today. The proposals will be considered by the governors at their regular monthly meeting at the Bank for International Settlements in Basle.

MOSCOW'S TROOPS MAY LEAVE HUNGARY

US cool on Soviet 'withdrawal' plan

BY LESLIE COLTIT IN BERLIN AND LIONEL BARBER IN WASHINGTON

US OFFICIALS believe the Soviet Union may soon withdraw its 65,000 troops from Hungary, but they are playing down the implications of any such move for East-West relations.

soon as this was warranted by an improvement in East-West relations. Western defence experts say Mr Gorbachev may also use the Warsaw Pact summit on Friday to reaffirm, perhaps in a revised form, his proposals for agreed conventional force reductions in Europe.

Drought 'puts cereal stocks at risk'

THE North American drought puts world cereal stocks at risk and could cause Third World food shortages, according to the Food and Agriculture Organisation.

Bukharin restored to Soviet party

By Quentin Peel

NIKOLAI BUKHARIN and Alexei Rykov, two of the most important Bolshevik dissidents executed 50 years ago by Stalin, have been granted full political rehabilitation by the Soviet Communist Party.

Tass reports on demonstrations in Lithuania and Armenia

BY QUENTIN PEEL IN MOSCOW

HUGE new demonstrations with strong nationalist undertones, this time in the Baltic state of Lithuania and the strife-torn republic of Armenia, are finally being reported by the official Soviet media.

ment news agency, admitted was a "mammoth meeting". A tense calm seems to prevail in both Armenia and in the enclave of Nagorno-Karabakh, in neighbouring Azerbaijan, where the predominantly Armenian population is campaigning to be transferred to the authority of Yerevan.

Magistrate removed from Airbus crash inquiry

A FRENCH court has withdrawn an inquiry into the crash of a new Airbus from a top magistrate who raised questions about the role of civil aviation authorities in the probe, Reuters reports from Paris.

Anglo-German publicity plan

By Charles Hodgson

MRS Margaret Thatcher, the British Prime Minister, and Chancellor Helmut Kohl of West Germany have agreed on the need to publicise Anglo-German relations.

SHIPPING REPORT

Disasters cause oil market nervousness

BY LYNTON McLAUGHLIN

THERE WAS nervousness among shipbrokers that the shooting down of the Iranian oil tanker by a US warship in the Middle East Gulf could lead to retaliation, with an uncertain impact on the oil market.

Oil tanker markets as a whole showed an uplift in demand for very large crude carriers last week. Various vessels were chartered in the Middle East Gulf mainly by private charterers, according to London brokers.

OECD to raise minimum interest on export credits

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE Organisation for Economic Co-operation and Development has agreed a new increase of 0.5 percentage points in minimum interest rates on official export credits.

The increase will bring the minimum rate on export credits to poorer developing countries to 8.5 per cent. Rates for middle-income countries will rise to 9.5 per cent for loans maturing in less than five years and 9.65 per cent for longer-term credits.

Confidence on grain

THE US and the Soviet Union ended two days of grain talks in Vienna on Friday evening without reaching agreement but both sides remain confident that differences can be resolved before the current grain treaty expires on September 30.

Arms rules sought

Progress on halving the superpowers' long-range nuclear arsenals depends on rigid rules against cheating, including the right to inspect any naval ship for missiles, a Soviet official said yesterday, Reuters reports from Geneva.

Angola negotiations

Preliminary talks were scheduled yesterday in New York in the form of US-brokered negotiations FOREVISE ending a civil war in Angola and granting independence to Namibia after 70 years of rule by Pretoria, Reuters reports from New York.

Bomber 'defective'

Parts of the US B-1 bomber's electronic warfare system do not work and cannot be corrected without major changes, the Washington Post reported.

Burma ends curfew

The Burmese authorities have lifted a night curfew and a ban on assemblies imposed in the wake of the student-led disturbances on June 21, Chit Tun reports from Rangoon.

Environment hopes

United Nations leaders and the heads of the World Bank and the IMF, meeting in Oslo at the weekend, agreed to seek an integrated approach to curbing deterioration of the environment as a means of promoting world development for the future, Karen Fossett reports from Oslo.

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Dated: July 11, 1988

TRANSAMERICA COMMERCIAL FINANCE CORPORATION (formerly Borg-Warner Acceptance Corporation)

Iran to begin US censure moves at Security Council

BY LIONEL BARBER IN WASHINGTON

IRAN WILL launch a diplomatic offensive at the UN tomorrow, so as to invite global censure of the US for the downing of an Iranian airliner over the Gulf on July 3.

Mr Ali Akbar Velayati, Foreign Minister, left Tehran yesterday to head Iran's delegation to the UN Security Council. Iran has asked the council to condemn the destruction of the airliner, which killed the 290 people aboard.

Mr Vernon Walters, US ambassador to the UN, said the Reagan Administration would counter by pressing for enforcement of the ceasefire proposals for the Iran-Iraq war included in UN Security Council resolution 598 last year.

"The way to stop these incidents is to stop the war," he said in a US television interview yesterday.

Mr Walters said the US deeply regretted the downing of the airliner but he repeatedly declined to apologise for the incident.

Americans back by 3:1, according to polls, the decision by the US Navy captain to fire at the Iranian airliner because he thought it was an approaching fighter jet.

The ambassador pointed out that, a year ago, Iran had refused to recognise the Security Council as a forum for discussing ways to end the war.

The Iranian leaders have refrained so far from threatening acts of violence against the US, or Western hostages in Lebanon, preferring to use diplomatic channels. Mr Ali Akbar Hashemi Rafsanjani, the Iranian military chief, last week warned against a hasty Iranian response, saying "world opinion would turn against us."

Yesterday, however, Mr Mohammad Javad Larjani, Iranian Deputy Foreign Minister, told a news conference it was fruitless to speculate over diplomatic approaches until Washington had halted its hostilities towards Iran and withdrawn its warships from the Gulf.

Iran was counting on the Security Council, at its meeting on Tuesday, to condemn the US action but his country was keeping other options open, Mr Larjani added. "We prefer not to be hostile we prefer to try to settle this matter diplomatically, but we are not naive," he said.

Lockheed fraud alleged on US defence projects

BY LOUISE KENNE IN SAN FRANCISCO

ONE OF the largest US defence contractors, Lockheed Corporation, has been accused by "whistleblowers" of fraudulent billing and work practices on top-secret defence projects, adding a new twist to the growing US defence procurement scandal.

A lawsuit filed by one former and one current employee of Lockheed Missiles & Space, Silicon Valley's largest employer, alleges that the company overcharged the government by more than \$10m for "black budget" projects, details of which are kept secret even from most members of Congress.

The suit was made public last week after being sealed for six months by the courts. It seeks damages and penalties on behalf of the US Government and the whistleblowers.

Allegations contained in the suit centre on the practice of assigning workers awaiting security clearance to work on black projects to "rice homes", or separate facilities. It charges that these employees were given little or no work to do, but were told to charge their time to government contract projects for "periods of several months."

According to the complaint, these employees ran personal businesses, including "selling real estate, stocks, diet foods, cosmetics, jewellery, magnets, belt buckles, (cable) TV, decoders, honey" and other products, "using Lockheed computers and charging their time to the US Government."

One Lockheed employee is said to have transcribed the entire Bible into a computer, while another is alleged to have had Lockheed machinists construct an airplane for his personal use at government expense.

Lockheed "very vigorously denies that false claims have been conditioned by the company," the company said. "We are also very confident the suit, if it goes to trial, will show the company has not engaged in any improper practices."

If proved the charges could result in suspension of defence contracts, according to the plaintiffs' lawyers.

The extent of the alleged fraud could eventually become much larger, the whistleblowers claim.

"We expect additional people are going to step forward and describe additional examples of fraud at Lockheed," their lawyer said.

Italy unveils plan to cut energy imports

BY ALAN FRIEDMAN IN MILAN

ITALY'S Industry Minister has unveiled an ambitious new draft "national energy plan" which is designed to reduce dependence on imported oil and gas and would cost 1,800,000bn (\$59.1bn) over the next 15 years.

Italy, currently, relies on imports for 81 per cent of its annual energy requirement.

The plan, presented on Friday to Mr Ciriaco De Mita, the Prime Minister would allocate nearly half the total investment to energy-saving projects.

The main aim is to ensure that by the year 2000 Italy's energy imports will decline to 75 per cent of annual consumption. This is to be achieved in large part by developing domestic coal resources.

The question of whether to develop nuclear energy plants, a policy violently opposed by the Socialist Party of former Prime Minister Bettino Craxi, appears to be unresolved.

The plan would also call for a series of fiscal measures and would create a new energy secretariat in the industry ministry. The plan presented by Mr Adolfo Battaglia, Industry Minister, is to be examined by the Cabinet and the Treasury Ministry.

The plan is unlikely to be approved before the end of this month.

Peronists choose Menem as candidate

By Gary Mead
in Buenos Aires

MR CARLOS MENEM, 56, governor of La Rioja province, has narrowly defeated his main rival, Mr Antonio Cafiero, 65, for the Peronist Party candidacy in next year's presidential elections in Argentina.

Mr Menem's success comes as something of a surprise to many local pundits who, up to the day of the ballot, were predicting a narrow victory for Mr Cafiero. Mr Menem's grassroots popularity has gathered strength and vitality in the last few weeks.

With more than 80 per cent of the vote counted over the weekend, Mr Menem's support overtook that for Mr Cafiero by 8 per cent. The ballot also supports Mr Eduardo Duhalde as Mr Menem's running mate for the vice-presidency.

Mr Cafiero, a former Economy Minister, conceded defeat just before midnight on Saturday, saying he would offer his services to Mr Menem's presidential campaign.

Mr Menem said he owed his triumph to "the poorest, the neediest, and the most humble" people of Argentina. He has said there was little difference between Mr Cafiero's politics and those of President Raul Alfonsin, of the Radical party. He described both men as social democrats.

In contrast, he has described his own stance as "anti-system" - against the establishment and for what he describes as revolutionary changes in government.

During his campaign, Mr Menem promised social reforms, including a halt to the Government's privatisation programme and wage increases for trade unions. He has also promised a moratorium on service of Argentina's \$46bn (\$23bn) foreign debt.

He has consistently identified himself with Peronist mythology, conducting a campaign of quasi-religious fervour and promising to place more power in the hands of Argentina's working class.

Aid for Nicaragua

CUBA HAS provided an emergency aid package worth \$150m (\$30m) to Nicaragua, Tim Coyne reports from Managua. Over the next three years, Cuba is to donate 270,000 tonnes of oil to Nicaragua, equivalent to about 15 per cent of its annual requirement. Cuba is also to write off \$50m owed to it by Nicaragua.

Mr Umberto Nordio, the embattled chairman of Alitalia who was last week told that he no longer enjoys the confidence of IRI, the state group which is his majority shareholder, was yesterday at the centre of a growing national political controversy.

Mr Nordio, whose resignation is considered inevitable, had still not stepped down yesterday despite an explicit invitation to do so by IRI.

Meanwhile, domestic air travel in Italy grew increasingly chaotic at the weekend as numerous flights were hit by lengthy delays or cancellations.

Taiwanese president advances pragmatists

BY BOB KING IN TAIPEI

MR LEE TENG-HUEI, Taiwan's president and chairman of the ruling Nationalist Party, appears to be moving swiftly to ensure that younger pragmatists have a larger voice in - if not control of - the party itself.

Yesterday, the Taiwan-born Mr Lee made public the names of 180 candidates he proposes for election to the central committee, which in turn will elect the standing committee on Thursday. The 1,209 delegates to the con-

gress will propose another 180 people, meaning that two candidates will compete for every seat on the central committee.

Only 74 of the people put up by Mr Lee are from the present 150-member central committee, and their average age, 59½ years, is 10 years less than that of the current committee, which will step down after elections on Thursday.

In addition, 42 per cent of Mr Lee's candidates are Taiwan-born - a clear sign that the policy of Taiwanisation of the party and government, begun under former President Chiang Ching-kuo, will continue.

Mr Lee and his progressive colleagues are under great pressure from conservative factions as they strive to continue and accelerate the reforms and liberalisa-

UN plan to solve Afghan crisis

BY CHRISTINA LAMB IN ISLAMABAD

NEW proposals for a peaceful resolution of the Afghan crisis have been put forward by Mr Diego Cordovez, the special representative of the UN Secretary General.

At the end of a 12-day visit to Tehran, Kabul and Islamabad, Mr Cordovez appealed to all Afghan factions to lay down their arms from September 1 to allow a non-partisan national government to be set up in Kabul.

The main objective of this transitional government would be to convene a *loya jirga* (traditional assembly) of all sections of society by March 1, which would establish a broad-based government acceptable to all Afghan people by March 15, when the withdrawal of Soviet troops is to be completed.

According to Mr Cordovez, a ceasefire is needed to provide a six-month cooling-off period, enabling Afghans to return to their homeland and the interna-



Diego Cordovez: new peace proposals

national community to lend badly-needed humanitarian assistance.

Mr Cordovez's suggestions have been welcomed by Mr Pri Gollani, a moderate representing the seven-party resistance alli-

China moves to fend off backlash against reform

BY ROBERT THOMSON IN PEKING

THE CHINESE Government, fearing widespread social unrest and a conservative backlash against reform, is launching a big public security drive and has directed newspapers not to publish information that undermines negative side-effects of the ambitious modernisation programme.

Official sources said that Communist Party leaders were concerned that they were losing control over society, following a spate of protests and industrial disputes. They are particularly worried by the prospect of demonstrations against reform, which they fear if the inflation rate continues to rise.

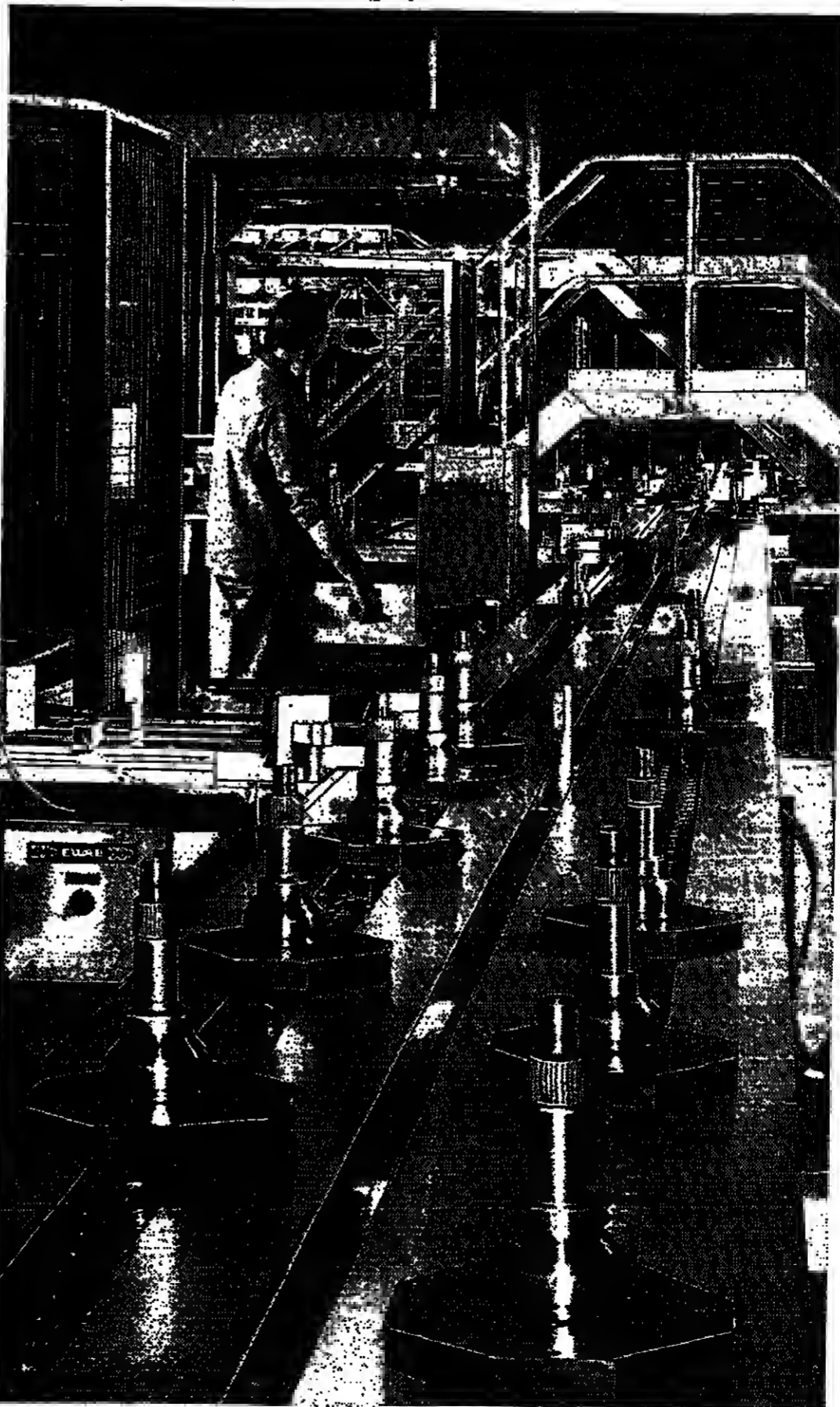
In a speech published at the weekend, Hu Qili, a senior Politburo member, told a gathering of propaganda officials: "We should make an adequate estimation of achievements in reform." His speech reflected orders, given privately in recent weeks to newspaper editors, that they had not given the achievements of reform "adequate" coverage and were failing to convince ordinary Chinese of its benefits.

As well as the propaganda drive, the Government is believed to be launching a crackdown against crime and is likely to execute hundreds of offenders in an attempt to preserve an image of order.

Last week, public security officials at a national conference were told that the reputation of reform had been tarnished by an increase in serious crime, and Wang Fang, Public Security Minister, warned of the threat of "possible turmoil" in society.

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11th July, 1988

OVERSEAS NEWS

National standards have hindered the growth of an international market, reports Terry Dodsworth
EC seeks to end parochialism in telecommunications

WHEN THE European Commission produced its ambitious blueprint for an integrated telecommunications market last year, it included a potentially controversial plan for a new standards-setting organisation. It is a measure of the head of steam that has since gathered behind the Commission's proposals that this suggestion led to the formation of the European Telecommunications Standards Institute (ETSI), which had its first meeting in France last month.

European competitors in international markets. Among ETSI's plans for tackling the weaknesses in standards setting are these: It will have a permanent director - Professor Diodato Gagliardi, from STET, the nationalised Italian telephone company a staff of about 12 and its own building in the high-technology research zone of Sophia Antipolis, near Nice in France.

The organisation has been thrown open to a wide body of about 100 members, including telecommunications manufacturers. The Commission has a special category as a special adviser. Participants pay \$5,000 a year and embrace foreign companies with a base in Europe.

Two principles underlie the open membership policy. First is the notion that ETSI must not be used to set up barriers around Europe. The idea is that the establishment of ETSI standards in international standards-setting bodies, helping to mould their rules to the European pattern.

distortion if suppliers and customers set down to write them together. These rules all undoubtedly conform to the pattern of derogation which the Commission is trying to imprint on western Europe. Indeed, if ETSI fails, it is hard to see how the Commission can succeed in the central liberalising thrust outlined in the Green Paper.

For example, the EC's directives aimed at eliminating the network operators' control over what kind of terminal equipment can be connected to their circuits will be bolstered by standards laid down by ETSI. Similarly, ETSI will be involved in issues such as development of a pan-European digital mobile system and the standards for new integrated voice and data networks.

After establishing the organisation so swiftly in the wake of the Green Paper, officials are naturally euphoric about its prospects. It could, on the other hand, be easily deflected from its main purpose by the widely conflicting interests of its members and other participants.

ETSI's most important role will be to preserve a delicate balance between developing standards which make sense at a regional level for Europe, while not building a protective barrier around the market.



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Dumping duties on Japanese daisy wheels

By William Dawkins in Brussels
ALL Japan's 15 top exporters of daisy wheel computer printers are to be charged provisional anti-dumping duties of between 12.4 per cent and 43.2 per cent on their exports to the European Community which are worth \$699m (£176m).

Eurotravellers' cash whittled away by money changers

BY WILLIAM DAWKINS IN BRUSSELS
THE COSTLY pitfalls in waiting for holidaymakers changing cash rates and costs for the same transaction vary widely within countries, as well as between them, while the choice of payment methods or cards has a big effect on charges and the ease of transaction.

Travellers wanting to change foreign cash into D-Marks in highly organised Germany, for instance, should get more or less the same rate, whether they do it at the airport or at the local bank, says the survey.

However, they will pay extra for changing foreign currency at Brussels, Paris and London airports, and they should shop around among local banks.

A British traveller would probably get more D-Marks, French francs and Spanish pesetas for starting at a bank in the UK than abroad, but would do better to buy other European currencies at the holiday destination, reckons the survey.

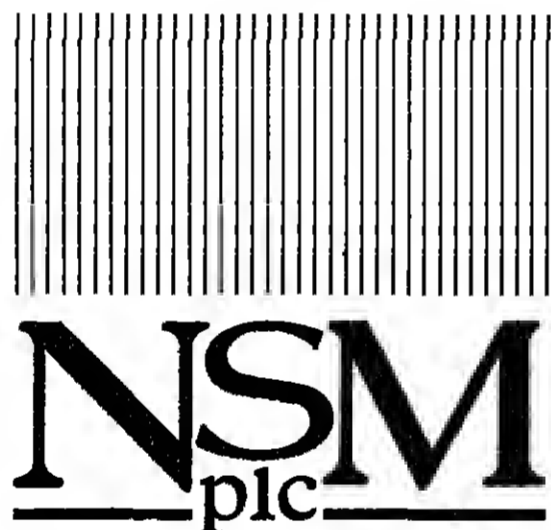
As for methods of payment, Beuc recommends credit cards and travellers' cheques for security and convenience. Overall, though, the traditional postal cheque came out as the cheapest and safest method of payment.

Holiday Money, Beuc, Rue Royale 29, boîte 3, B-1000 Brussels, to change cash 10 times in one Belgium; BFR600 (£4.00).

WORLD ECONOMIC INDICATORS

Table with columns: Country, Unit, and Months (May '88, Apr '88, Mar '88, Feb '88, Apr '87). Rows include USA 000's, UK 000's, Japan 000's, W. Germany 000's, Netherlands 000's, Belgium 000's, France 000's, Italy 000's.

Source: (except US, UK, Japan) Eurostat



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House price rises 'could thwart war on inflation'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE GOVERNMENT'S refusal to tackle distortions in the housing market might prevent it from reducing inflation to the levels of Britain's main European competitors, according to a study published today.

The study, by three Oxford economists, identifies spiralling house prices in the south-east as an important factor in accelerating wage inflation. They have also contributed to the sharp widening of Britain's trade gap by providing the basis for a rapid growth in consumer spending.

It adds that much of the impetus for the housing boom can be tracked to the generous tax incentives, particularly mortgage interest relief, provided by the Government for owner-occupiers. The replacement of domestic rates by the poll tax is likely to worsen the problem.

Those conclusions, which are broadly shared by many of the Government's own senior economists, are likely to intensify pressure on the Treasury to review the whole system of domestic property taxes. Officials, however, concede that they are unlikely to be able to persuade Mrs Margaret Thatcher, the

Prime Minister, to curb tax benefits for owner-occupiers.

The report's authors, Olympia Bover, John Miall-Burns and Anthony Murphy, argue that the fiscal bias in favour of owner-occupation has greatly raised the return on housing investment relative to that likely in a neutral tax system.

In the south-east, the result has been a "mobility trap," restricting the flow of workers from the region and limiting access to migrants from other parts of the country. That in turn has exacerbated upward pressure in wages in the south-east and contributed to the Britain's relatively poor performance in reducing inflation.

In parallel, the coincidence of sharp rises in house prices and the dismantling of credit controls has pushed up consumer spending and imports. The results of the study, the authors conclude, emphasise the hazards of liberalising financial markets while enjoining fiscal distortions remain in place.

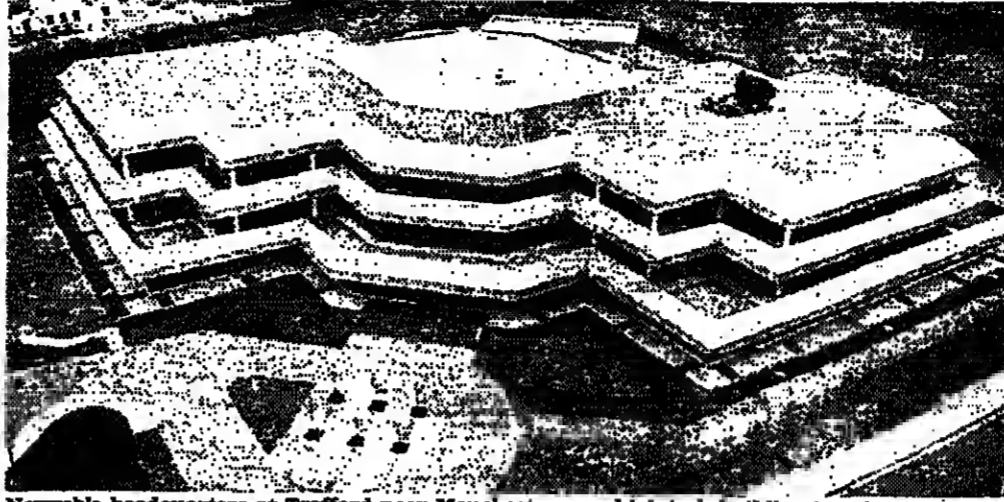
Housing, Wages and UK Labour Markets. Centre for Economic Policy Research, 6 Duke of York Street, London SW1Y 6LA. £2

Ian Hamilton Fazey ends a series on electricity boards preparing for privatisation with a look at Norweb Showrooms that became a power in the marketplace

IF PRIVATISATION holds any terrors for the North West Electricity Board, competition is not one of them. Over the past decade, Norweb has been growing increasingly effective in the high streets of Greater Manchester and beyond.

The attitudes and disciplines involved have been embraced by all departments. If there is not a Curry's, Comet or Rumbelows store to fight, the enemy might just as well be Britain's other electricity boards.

The urge to be first shows even in matters such as an attempt to have the name and people of Norweb mentioned more frequently than those of any other board in Circuit News, the industry's monthly newspaper. But its achievements in the high street illustrate the competitive point best.



Norweb's headquarters at Trafford near Manchester - a high-tech building housing 500 staff.

Ten years ago Norweb's image as a place to buy such goods as refrigerators, washing machines and electric fires was that of a "nationalised corner shop" - uncompetitive on price, bureaucratic, slow, serviced by an undertrained sales force and lacking the powerful advertising images associated with private-sector rivals.

It was a sideshow, tacked on to the main business of selling the power itself. But, like all the boards, Norweb had an unrivalled network of high street locations, outnumbering any of the rival chains three or four times.

Advantage with innovative marketing techniques which other boards have since copied. Mr Ben Hastings, Norweb's chairman, says the board has 20 per cent of the high street white goods market in the area.

The board supplies all of the north-west except Merseyside and Cheshire, which comes under the Merseyside and North Wales Electricity Board, Manweb, which Mr Hastings used to chair.

Coupled with evening-paper advertisements, television campaigns have pulled in shoppers. Once they are in the showrooms, better-trained staff, easy credit and simple methods of payment

have won the orders.

Information technology plays a key role: Norweb has the name and address of every local electricity user on its computer. Terminals in every showroom enable credit status to be checked instantly.

Five years ago, Norweb pioneered the Buy Now Pay Later scheme which enticed customers to order goods for immediate installation but deferred repayments for several months, when they came hidden in the electricity bill. Norweb also pioneered, free extended guarantees on goods.

Mr Hastings says: "When it

started, everyone said we were mad, that bad debts would sink the scheme. Now they all do it."

In 1986-87, the last year for which there are published accounts, Norweb sold £91m of appliances out of a total turnover of £12m. The profit was £5.4m out of an overall operating profit of £34m.

Even allowing for the confusing effect of the industry's current cost accounting, appliances returned 7 per cent on sales, rather than less than 6 per cent for the ratio overall.

Mr Hastings, who came into the industry having been head of industrial engineering at Mul-

lard, the Philips electronics subsidiary, says he expects an 8 per cent increase in sales in 1988-89.

This year's sales drive is centred on dishwashers, as well as "brown" goods such as ovens and fires - where Norweb has only a 5 per cent share. Television is considered ripe for development - the operation is small and franchised. In addition a privatised Norweb has ambitions to take on the rental goods - the latter ambition influenced by developments in satellite television and the video markets.

North West Electricity	
1986-87	
Customers	2,05m
Employees	8,220
Sales: Total	£1,025m
Other	£91m
Operating profit	£34m
Net return on assets (GCA basis)	3.8%

However, Norweb is making some provision for the post-privatisation future: since April it has owned the output of the Chapelcross Magnox nuclear power station in Scotland, run privately by British Nuclear Fuels.

With the new Torness advanced gas-cooled nuclear station about to come on stream, Chapelcross faced redundancy except at periods of peak demand and BNFL could not afford to keep it working on that basis. The station has replaced about 5 per cent of the power Norweb previously purchased exclusively from the Central Electricity Generating Board.

Mr Hastings's team appears weak only in financial and treasury management. As a cash-rich nationalised industry that simply passed on money to the Government, there has been no need for such specialists. Mr Hastings intends to have plugged the special gap by the time of flotation.

Privatised industries 'need consumer protection laws'

BY DAVID CHURCHILL

PRIVATISATION of state-owned monopolies has not automatically improved standards of service, according to Mrs Sally Oppenheim-Barnes, chairman of the National Consumer Council.

Mrs Oppenheim-Barnes said at the annual consumer congress in Newcastle yesterday that "poor management and bad working practices do not disappear overnight."

Mrs Oppenheim-Barnes, a former Conservative minister for consumer affairs, said: "We have said clearly to the Government that unless and until it is adequately regulated, simply moving a monopoly from the public to the private sector does little or nothing for its consumers."

The NCC was concerned about plans to privatise the electricity and water supply industries without measures to protect consumers.

She said: "Robust regulation of the privatised industry will be needed if consumers are not to be faced with rising prices and falling standards."

Mrs Oppenheim-Barnes said she called private and public monopolies the "black market," since consumer power was so limited.

The "white" market, however, was typified by high street shops where competition was unfettered and consumers were protected by a framework of laws.

In between was what she called the "grey" market where restric-



Sally Oppenheim-Barnes: Call for robust regulation

tions meant higher prices and a limited choice.

For example, food cost more than it should because of EC agricultural policy, beer and petrol were affected by supplier-retailer restrictions, and motor vehicles and clothes were overpriced because of import restrictions.

Mrs Oppenheim-Barnes said as much as half of family expenditure could be in the black and grey markets.

She said: "Anything we can do to reduce the size of the grey and black markets by introducing more competition must have overwhelming benefits for consumers and the whole economy."

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BR to disclose options for Channel tunnel rail update

BY LYNTON McLAIR

BRITISH RAIL is to publish options for limiting the rail route to the Channel tunnel which is to open in 1993.

A report due to be published on Thursday covers options for increasing the capacity of the tunnel and train seat and terminal capacity from the mid 1990s, after BR will have had experience of traffic generated by the tunnel.

The possibilities include stretches of new, high-speed rail line using purpose-designed trains. The decision on whether to go ahead will be determined by the profitability of the options being considered.

The present British Rail links to the Channel will provide rail capacity to handle all the traffic BR expects to get when the tunnel opens.

The report will be sent to Mr

Paul Channon, Transport Secretary. British Rail is in dispute with Mr Channon over what Sir Robert Reid, chairman of the British Rail Board, said last week was an "unresolved problem".

This concerns insistence by the Government that customs facilities for passengers using the Channel tunnel must be at the terminals. BR is planning to spend £20m on the international passenger terminals to be built at Waterloo Station but it wants customs formalities to be carried out on the trains.

Sir Robert said last week that time was running out on the issue. He said the expected delay of half an hour for customs in the terminal "undermines the competitiveness of the Channel tunnel journey time".

Skill shortage, Page 8

MIM BRITANNIA UNIT TRUST MANAGERS LIMITED

Scheme of Amalgamation
Britannia Arrow Energy Trust
with MIM Britannia
Universal Energy Trust

As a result of the passing of the Companies Act 1985 and the resolutions by the unit-holders of the above Trusts at separate meetings, the Scheme became effective on 2nd July, 1988. The terms of exchange of units of Britannia Arrow Energy Trust for units of MIM Britannia Universal Energy Trust is as follows:-

1 Unit of Britannia Arrow Energy Trust - 0.91725 "C" Units of MIM Britannia Universal Energy Trust.

Replacement certificates will be despatched not later than 1st September, 1988 to the former holders of Units of Britannia Arrow Energy Trust.

Communications agency buys into French group

By David Cohen

DEWE ROGERSON, the international financial and corporate communications company, is to acquire 50.1 per cent of the private French communications agency FRI Group for £200,000.

A rights issue in FRI will reduce the stake of the present controlling shareholder, Worms & Cie, to about 40 per cent.

The move gives Dewe a foothold in the French market to add to its operations in the UK, USA, Japan and Australia. Previously, Dewe has expanded by starting up its own offices.

FRI announced profits of £200,000 in its most recent financial year. Its clients include the French Treasury, Fiat and BSN.

Dewe has been appointed to handle the public relations and marketing for the flotation of the water boards scheduled for around November 1989.

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UK NEWS

PUBLIC SPENDING RESERVE CUT BY MORE THAN ONE THIRD

Treasury may concede higher cash target

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE UK Government's £7bn public spending reserve for the 1989-90 financial year beginning next April has been cut by more than a third even before the start of ministerial bargaining on new departmental allocations.

The negotiations start against the background of serious concern within the Treasury about the inflationary implications of the rapid growth of demand in the economy and of a sharp widening in the trade gap.

The officials are doubtful, however, that Mr Lawson will be able to insist on the politically unpopular cutbacks needed to defend the target, particularly as government revenues are running far ahead of expectations.



Nigel Lawson: ruled out fiscal fine tuning

Kinnock rivals carry torch in epoch of darkness

BLACKPOOL, on England's north-west coast, is a long way from Moscow. But for Mr Tony Benn the Labour conference there in October will see the culmination of a leadership challenge he hopes will prove as galvanising for the Labour Party as Mr Mikhail Gorbachev's recent political shake-up may prove to be for the Soviet Communist Party.

CHARLES HODGSON looks at the left's challenge to the Labour leadership

For Mr Benn, this is a road travelled by every Labour government since the war, becoming most marked in the Wilson and Callaghan years, when he was in the Cabinet, which were "essentially SDP governments". It is a well-trodden road, he says, to electoral disaster.

am, in appeals for party unity and sheds attacks on the "leaky boat". The leadership contest has put that alternative back on the agenda, he believes, and articulated genuine grassroots discontent at the policy review. It has forced frontbenchers back on to the picket lines, a swift and clumsy double U-turn of defiance, and has guaranteed that the policy review will not go through unscathed "on the nod". He claims wider-than-expected support for the challenge.

Last week at a London meeting, the "two venerable gentlemen of pensionable age", to quote Mr John Edmonds, the party's ex-union leader, won warm support for their platform. Mr Heffer forcefully outlined the policy aims: renationalisation of privatised industries, repeal of trade union legislation and curbing of the power of local authorities and the House of Lords and reaffirmation of unilateral nuclear disarmament.

Mr Benn aimed for the higher intellectual ground. The campaign, he told his 400-strong audience, was about the meaning of socialism. "The basis of socialism is that we owe a duty to one another," he said. "If we let that go by default in the name of New Realism we are simply allowing the present system to dominate. We are collaborating with our own oppressors."

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Ballots urged over disputed TV work

BY JOHN GAPPER

THE MONOPOLIES and Mergers Commission has been urged by the independent television companies to recommend a change in the law to require actors' and musicians' unions to ballot their members before instructing them not to undertake work.

It also says that individual ITV companies are reaching new staffing agreements with the staff unions representing technicians, journalists, electricians and studio staff, and excessive staffing levels and costs are fast being reduced.

Under existing law, the actors' union Equity and the Musicians' Union may instruct members not to undertake work for film and television employers in trade disputes without a ballot because it does not involve breaking contracts.

Behind the somewhat playful references to the Soviet experience, Mr Benn clearly feels that his challenge to Mr Kinnock has already served its purpose. Whatever the outcome of the electoral college vote in October - widely expected to be a comfortable endorsement of the status quo - he believes he has triggered a debate among the rank and file on the future direction of the party, that has threatened to be smothered by the leadership's promotion of its policy review.

Contracts & Tenders

AVIS D'APPEL D'OFFRES REPUBLIQUE DU ZAIRE DEPARTEMENT DU COMMERCE EXTERIEUR. APPEL D'OFFRES INTERNATIONAL N° 1000/88 POUR LA FOURNITURE DU MATERIEL DE VOIE. 1. OBJET. La Société Nationale de Trading - SONATRAD - met en adjudication publique la fourniture de 220.000 Traverses métalliques destinées à la SOCIÉTÉ NATIONALE DES CHEMINS DE FER ZAÏROISE (S.N.C.F.Z.).

Wardour Borough Council. Invitations for tenders and best value systems in Angle Estate SW18, Pinner Estate SW11 and Wildcock Drive Estate SW18. Contractors wishing to be considered for selection to tender for the provision of new individual gas fired boilers and hot water installations to approximately 1500 dwellings in the above areas should submit their bids to the Council, Pinner Estate SW11, by 10.00 am on 11th July 1988.

Company Notices

DIVIDEND NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS FOR COMMON STOCK OF TOSHIBA CORPORATION (FORMERLY TOKYO SHIBAURA ELECTRIC CORPORATION) DESIGNATED COUPON NO. 70 (ACTION REQUIRED ON OR PRIOR TO 30TH SEPTEMBER 1988)**

OMRON TATEISI ELECTRONICS CO. Notice has been received from Tokyo that payment of a Cash Dividend of ¥10.00 per share has been made for the period ending 31st March 1988.

HARRISONS MALAYSIAN PLANTATIONS BERHAD (Incorporated in Malaysia) NOTICE OF MEETING. NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Thebanes, Ground Floor, Singapore M&P, Jalan Tanjong Pagar, 30400 Kuala Lumpur, on Wednesday, 10th August 1988, at 11.30 am.

Table with 3 columns: Coupon No. Detached from Receipts in the Denomination of, Dividend Payable (less 15% Japanese withholding tax), Dividend Payable (less 20% Japanese withholding tax). Rows include 1, 10, 20, 50, and 100 Depository Shares.

NOTICE OF RATE OF INTEREST BONDENNESSE EXTENDRESE FALGENSE. U.S.\$88,000,000 FLOATING RATE SERIAL NOTES DUE 1988. In accordance with the provisions of the Reference Agency Agreement between Banque Paribas d'Alsace and Citibank N.A., dated on June 8, 1979, notice is hereby given that the Rate of Interest has been fixed at 8.5075% per annum.

LEUHN INTERNATIONAL INVESTMENTS N.V. US \$25,000,000 FIXED FLOATING RATE NOTES 1990 DUE 2005. The Interest rate applicable to the above Notes in respect of the period commencing 11th July 1988 has been fixed at 8 1/8% per annum.

Contracts & Tenders

AVIS D'APPEL D'OFFRES REPUBLIQUE DU ZAIRE DEPARTEMENT DU COMMERCE EXTERIEUR. APPEL D'OFFRES INTERNATIONAL N° 1000/88 POUR LA FOURNITURE DU MATERIEL DE VOIE. 1. OBJET. La Société Nationale de Trading - SONATRAD - met en adjudication publique la fourniture de 220.000 Traverses métalliques destinées à la SOCIÉTÉ NATIONALE DES CHEMINS DE FER ZAÏROISE (S.N.C.F.Z.).

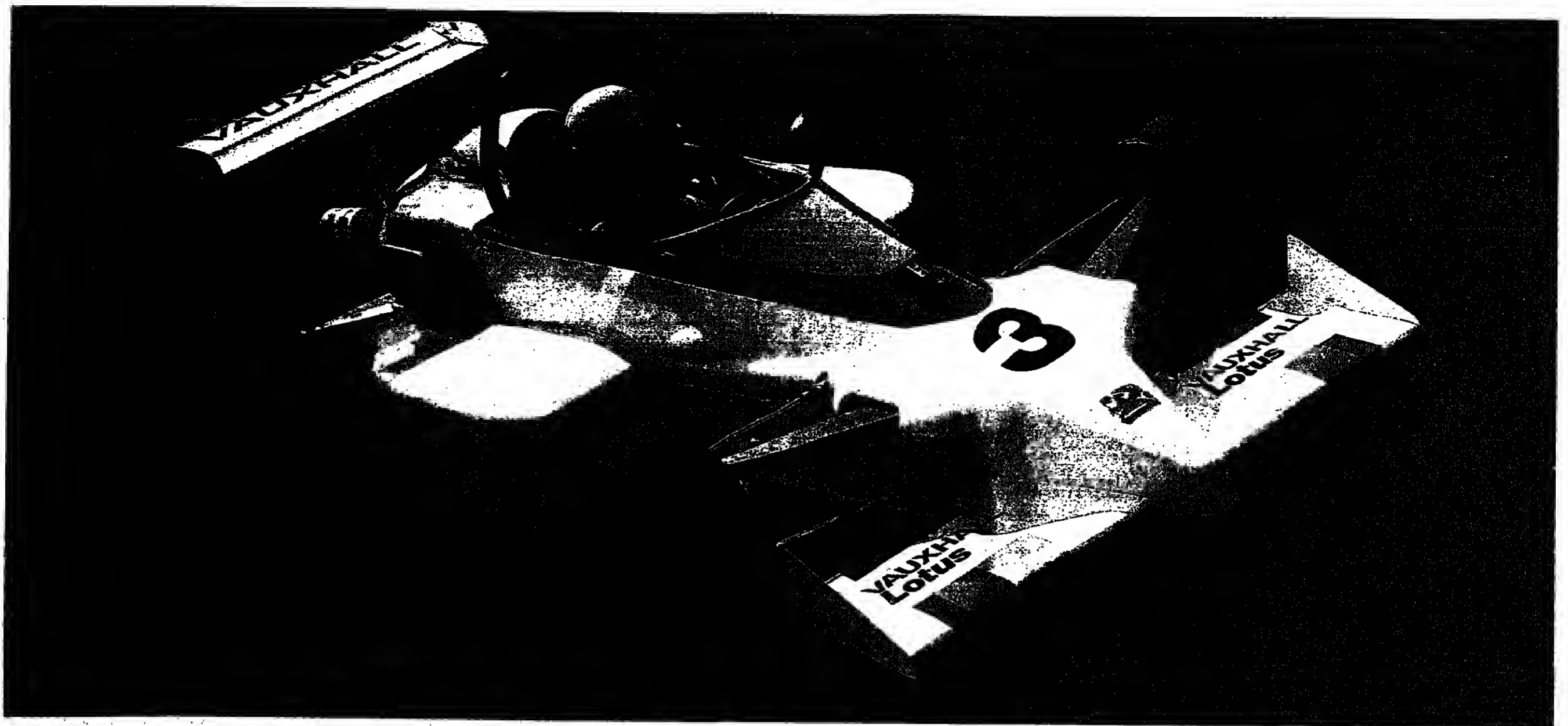
Wardour Borough Council. Invitations for tenders and best value systems in Angle Estate SW18, Pinner Estate SW11 and Wildcock Drive Estate SW18. Contractors wishing to be considered for selection to tender for the provision of new individual gas fired boilers and hot water installations to approximately 1500 dwellings in the above areas should submit their bids to the Council, Pinner Estate SW11, by 10.00 am on 11th July 1988.

SOCIETE NATIONALE DE TRADING - "SONATRAD" AGENCE DE BRUXELLES. APPEL D'OFFRES INTERNATIONAL N° 1000/88 POUR LA FOURNITURE DU MATERIEL DE VOIE. 1. OBJET. La Société Nationale de Trading - SONATRAD - met en adjudication publique la fourniture de 220.000 Traverses métalliques destinées à la SOCIÉTÉ NATIONALE DES CHEMINS DE FER ZAÏROISE (S.N.C.F.Z.).

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TENDERS FOR PROJECTS TO DEFINE MANAGEMENT COMPETENCES. Tenders are invited for a series of projects aimed at identifying the competences of supervisors and managers. Each project will start in the Autumn and last for up to 18 months. The Training Commission is particularly interested to hear from those with experience in management training and/or in defining management competences.

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The immense power comes from a completely new 16 valve 2.0 litre engine.

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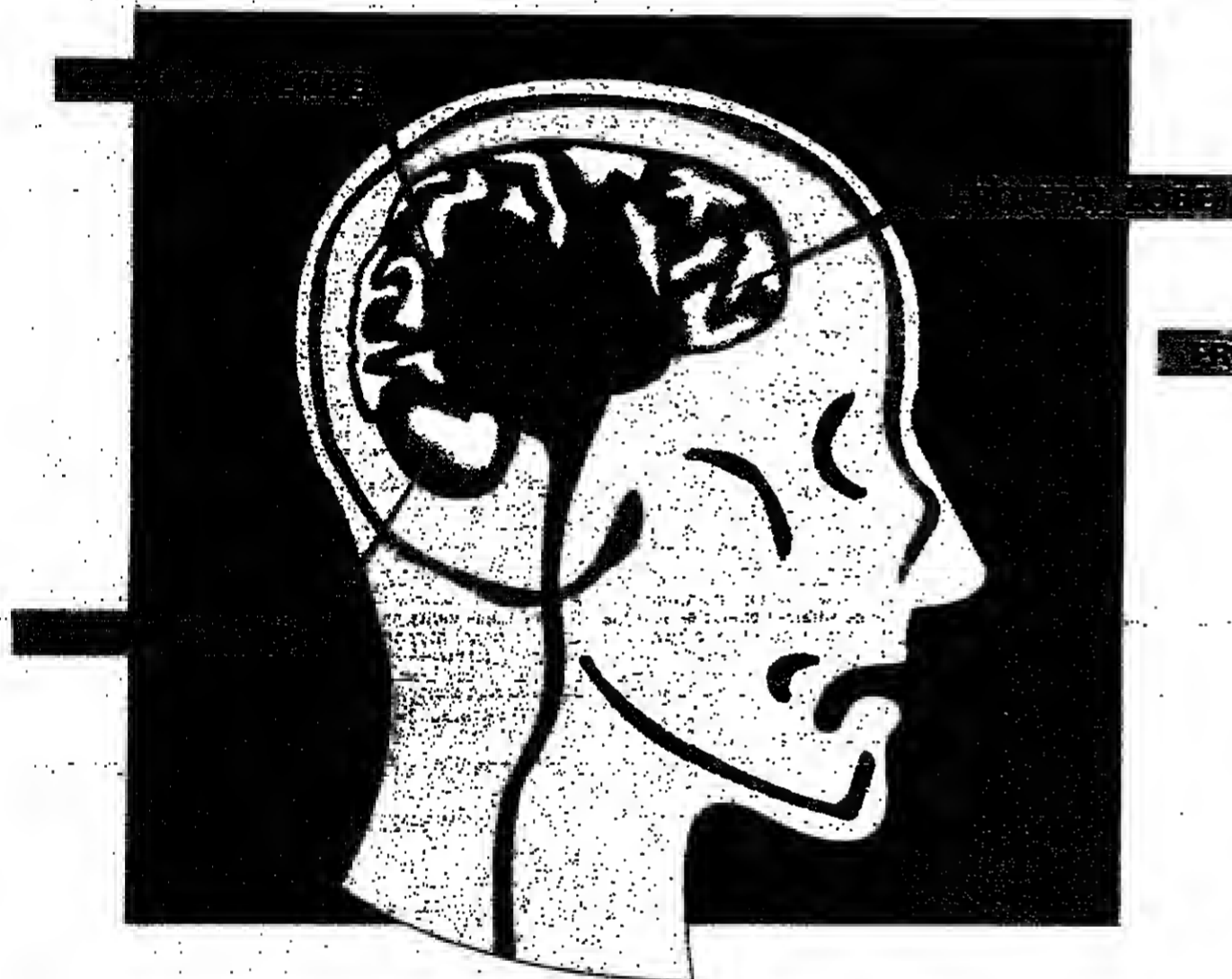
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It can easily get frustrated with conventional computers

previous five years, with unimpressive consequences. Let loose on Macintosh all changed.

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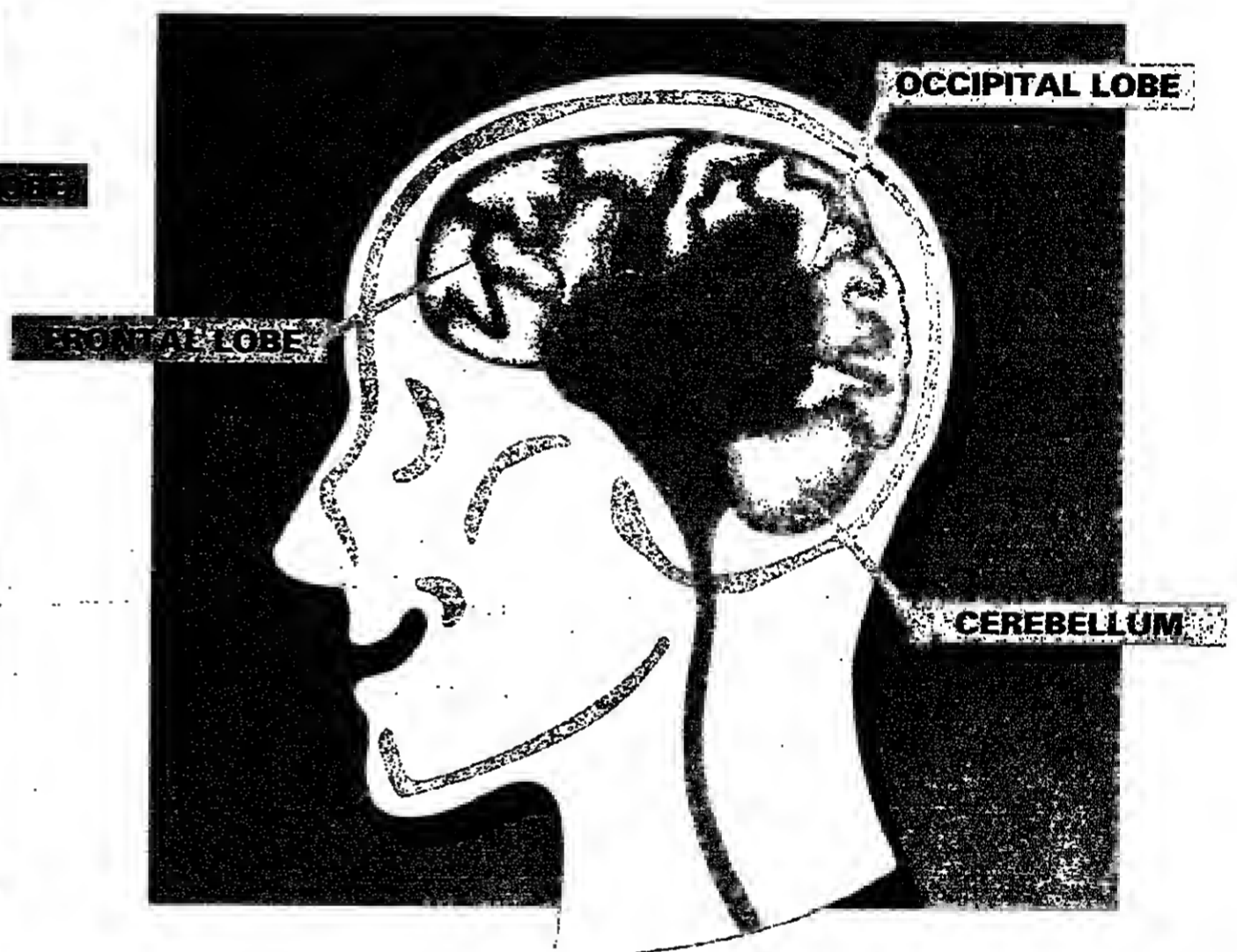
The conventional PC brain.

and lose heart. Often losing an opportunity in the process.

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The Macintosh brain.

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Company Notices

CHARTER CONSOLIDATED P.L.C.
Notice of Annual General Meeting

Notice is hereby given that the twenty-third annual general meeting of members of Charter Consolidated P.L.C. will be held in the Canton Suite at the London International Press Centre, 76 Shaft Lane, London EC6A 3JL (New Street Square entrance), on Tuesday 2 August 1988 at 12 noon for the following purposes:

1. To receive and consider the accounts and the report of the directors for the year to 31 March 1988.
2. To declare a final dividend.
3. To reappoint as directors Mr D E Cook, Sir Robert Hunt who has attained the age of 70 years, and Mr A S Oppenheimer.
4. To reappoint Coopers & Lybrand as auditors and authorise the board to fix their remuneration.
5. To consider the following resolution which will be proposed as a special resolution:

(a) The directors of the company, having by ordinary resolution passed on 5 August 1988 been generally authorised to allot the unissued shares of the company pursuant to section 80 of the Companies Act 1985, be hereby empowered, pursuant to section 80(1) of the said Act, from the date of the passing of this resolution until the conclusion of the next annual general meeting, to allot and to make offers or agreements to allot equity securities of the company pursuant to that authority as if section 80(1) of the said Act did not apply.

(b) In connection with an offer of such equity securities by way of rights to shareholders in proportion to their existing shareholdings but subject to such modifications as the directors deem necessary or expedient in relation to fractional entitlements and legal or practical problems under the laws of, or the requirements of any stock exchange or recognised regulatory body in, any territory, and for so long as the offer remains open, up to an aggregate nominal amount of 1,000,000 (being 5 per cent of the issued share capital of the company at 31 March 1988);

(c) the above-mentioned authority given pursuant to section 80 of the said Act shall be deemed to, and the power conferred by the special resolution shall, allow and enable the directors to make offers or agreements which would or might require the making of allotments after the expiry of the said authority and of the said power; and

(d) all words and expressions defined in or for the purposes of section 84 of the Companies Act 1985 shall bear the same meanings hereby.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company. A form of proxy accompanies this notice.

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Secretary: E.G. Rudland

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DUE APRIL 1995

For the three months, July 7, 1988 to October 6, 1988, the rate of interest has been fixed at 8 1/8% PA.

The interest due on October 7, 1988 against coupon No 14 will be \$ U.S. 207/84 and has been computed on the actual number of days elapsed (92) divided by 360.

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- Bankers Trust Company - New York
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- Banque Nationale de Paris - Paris
- Commerzbank Aktien-gesellschaft - Frankfurt/Main
- Credit Lyonnais - London
- Credit Suisse - Zurich

The Fiscal Agent,
CREDIT LYONNAIS
LUXEMBOURG

Legal Notices

SUMMONS Case Number: C 65490
NOTICE TO DEFENDANT: PETER GEORGE, an individual, UNITY FINANCE CORPORATION, a business entity, form unknown, and Doe 1, YOU ARE BEING SUED BY PLAINTIFF: Mario Zucerman, an individual.
You have 30 CALENDAR DAYS after this summons is served on you to file a typewritten response in the court. A letter or phone call will not protect you; your typewritten response must be in proper legal form if you want the Court to hear your case.
If you do not file your response on time, you may lose the case and your wages, money and property may be taken without further warning from the Court. There are other legal requirements. You may want to call an attorney, you may call an attorney referral service or a legal aid office (listed in the phone book). The name and address of the Court is Los Angeles Superior Court, 111 North Hill Street, Los Angeles, California 90012. The name, address and telephone number of plaintiff's attorney, or plaintiff without an attorney, is: WEISSMAN, WOLFF, BERGMAN, COLEMAN & SILVERMAN, Steve Workman, 9885 Wilshire Boulevard, Suite 200, Beverly Hills, California 90210. Date: October 15, 1987.
FRANK S. ZOLN - Clerk by HECTOR DON LOPEZ - Deputy WEISSMAN, WOLFF, BERGMAN, COLEMAN & SILVERMAN, Steve Workman, 9885 Wilshire Boulevard, Suite 200, Beverly Hills, California 90210. (714) 866-7868.

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Notice is hereby given to the Unitholders that Korea International Trust declared a distribution of Won 527,200 per 100 of 1,000 units payable on June 25, 1988 in the Republic of Korea. Payments of coupon No 7 of the International Depository Receipts will be made on July 11, 1988 in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

- Brussels, 35 Avenue des Arts
- New York, 30 West Broadway
- London, 1, Angel Court
- Frankfurt, 46-48, Miltner Landstrasse
- Zurich, 38, Stockenstrasse

The amount of dollars shall be the net proceeds of the sale by the Fund of the Won amount to a foreign exchange bank in the Republic of Korea at its "spot" rate on July 11, 1988. The proceeds of the coupons presented after July 11, 1988, will be converted into US dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depository.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depository or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of incorporation or a copy of the passport for individuals. These documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 26.375 pct Korean non-resident withholding tax will be retained.

Morgan Guaranty Trust Company of New York
Brussels Office, as Depository.

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Mark Jones on 01-248 8006 ext 3565 or write to him at: Braslow House, 10 Canon Street, London EC4A 3DF

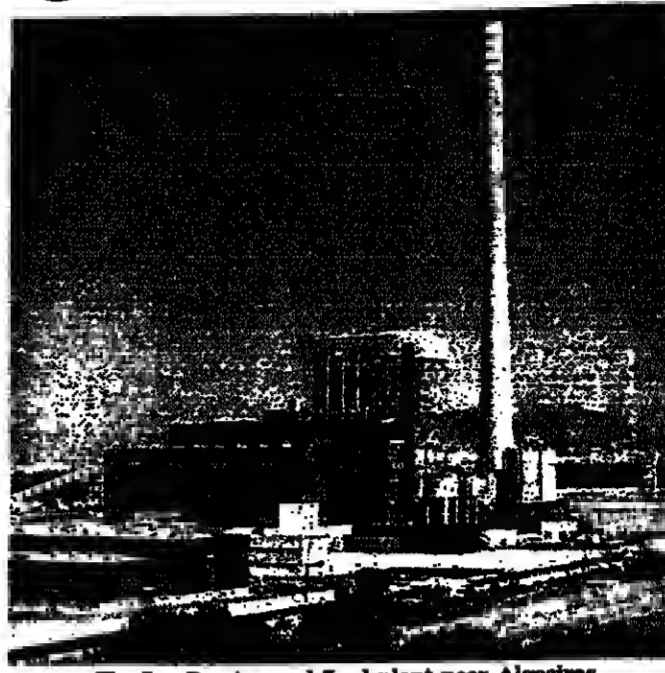
FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER

SPANISH INDUSTRY

Maria Kielmas on the future of a Spanish electricity utility

Sevillana generates ideas for the 90s

MR EMILIO ZURUTUZA, managing director of Sevillana de Electricidad, Andalucía's regional electricity utility, sits in an office with a wonderful view. Rising above the orange and palm trees of the Plaza de Espana, constructed for Seville's Iberian-American exhibition of 1929. As it was followed by the Wall Street crash, recession and war, the exhibition turned out to be a disaster.



The Los Barrios coal-fired plant near Algeciras

Seville is gearing up for the 1992 World Fair, Expo 92, which will celebrate the 500th anniversary of the discovery of America. Politicians hope this project will attract much-needed investment and industry into Andalucía. For Sevillana, the region's biggest employer, it would mean more customers and more profit.

But no self-respecting Andalusian believes in what politicians tell him, especially as in the case of the present Spanish Government, they happen to be of the locally-grown variety. Andalucía could wake up in 1993 with a big headache, some new roads, an improved airport, and not necessarily much else.

Similar uncertainty in the mid-1990s faces Spain's indebted electricity utilities, the current turn of good fortune of which has prompted a huge wave of mutual back-slapping.

Sevillana, established in 1994, is the oldest of Spain's electricity utilities. It grew through absorbing small generating companies in Andalucía which sold power to sugar beet refineries. These in turn had been established at the beginning of the century to compensate for Spain's loss of cheap sugar after Cuban independence.

Spain's oldest hydro plant, now out of service, is at El Chorro, north of Malaga, next to a modern pumped water plant. A pathway built into the cliffs around it as a viewing platform for King Alfonso XIII, grandfather of the present King Juan Carlos, is a good place for eagle-watching for those who do not suffer from vertigo.

Spain's electricity utilities cumulatively account for 15 per cent of both market capitalisation and trading on the Spanish stock exchanges. With dividend yields averaging 7 per cent, they are regarded as a safe haven for the cautious investor, says Mr Estanislao de Aranzadi de Madrid brokers Benito & Monjardin.

But spending on nuclear installations in the 1970s, because of a massive overestimation of future power demand, left the industry

fired plant at Los Barrios, outside Algeciras and conveniently next door to an excellent restaurant. But if the political status of Gibraltar remains unchanged, such power exports would be Redesa's preserve, even though Sevillana has the most efficient generating plant in Spain.

Similarly, a proposed 17 to 37 km and 300MW-650MW subsea link to Morocco, costing up to Ptas25bn and expected to be on line by 1991, would be a Redesa undertaking. Analysts say that the project will involve French power exports, via the Redesa grid through Spain, the costs of which would be covered in the first instance by France.

But the real black mark on the horizon is the future of nuclear power plants. Sevillana holds interests in two nuclear plants located in southern Extremadura; a 26 per cent stake in Almaraz which is online, and a half-share in the 60 per cent completed Valdecaballeros, on which work was suspended in 1985 because of a government moratorium on nuclear projects.

The future of this, and two other closed nuclear projects, Lemosis and Trillo, is expected to be decided within the publication of the Government's new national energy plan next year.

If the Valdecaballeros project is terminated completely, Mr Zurutuza says Sevillana will recoup its investment in it through the *marco estable*. The company calculates it will not need new capacity until the mid-1990s and if the nuclear plant is halted, it can install more coal-fired generating units at Los Barrios.

It also hopes the efficient deep water port there could be used as an entry for coal imports, not only for itself, but other European countries.

Mr Zurutuza estimates that Sevillana will be able to clear its debt within less than the 25-year lifetime of its existing plant. But even if the Government gives the go-ahead to Valdecaballeros next year, Mr Ignacio Gomez of Madrid brokers F & G Inverstones Bursatiles thinks the company will only be able to finance new investment through selling its share of this plant.

Conscious that in a unified European market Spanish utilities could easily be swallowed up by foreign predators, the industry is engaging in a lot of secret political manoeuvring in an effort to secure its future.

But in public, Mr Zurutuza remains bullish about Sevillana's future



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Figures calculated to deceive



ANTHONY HARRIS in Washington

THE MAY TRADE figures, due out within the week, are quite likely to look awful, and if they don't, then prepare for a smaller shock in June.

This will happen, if it happens, because US manufacturing is now reviving - one of the few undoubted facts about the economy. However, it does not appear to be building on a strong base, despite all the official pronouncements which suggest that manufacturing has been doing quite well in the 1980s; it is recovering from a slump which depressed output probably by 10 per cent, and possibly by twice as much.

one or two tricky points, should be a little less willing to stampede with the herd, and thus enjoy at least a spotting chance of getting the trends somewhat near right.

back. Second, they may not have noticed that more than half the rise in June was in teenage employment - and as Dr Janet Norwood pointed out in the official briefing, teenagers are a trap for statisticians.

Policy Institute in Washington, suggesting that the official figures are grossly misleading. Since the EPI is a left-wing organisation, on the US scale, and Dr Mishel is a veteran trade union economist, he has an obvious bias; but his findings are being treated with respect.

These are the questions which Dr Mishel has examined, and his conclusion is that the BEA's methods tend to understate the size of US industry in the past quite a lot, and overstate its recent size by rather less; the result is to rewrite history quite drastically.

industrial sector; even car companies now run their own credit banks, for example. The measures of real output are also suspect. For example, the fastest growing sector of US output is in business electronics; but what is a computer? Today's personal computer is potentially as powerful as a mainframe of a decade ago, and tends to get counted officially as an equal contribution to real output.

INTERVIEW

Policeman's lot

Richard Lambert meets David Walker, new chairman of the Securities and Investments Board

MR DAVID WALKER, the new chairman of Britain's Securities and Investments Board, made his first public statement about the job last week. It did not seem to produce much clarity.

thinks, will lead to a big shift in attitudes towards the SIB. "We will be seen first as the investor's friend and protector - but in addition as people who are ready to listen to intermediaries in a sympathetic way."

manoeuvre as possible for the "serious, responsible, proper operator" to go about his business in a sensible manner. But the closer that firms go towards the "circumference of the circle, the fatter and more robust the regulator should become."

PERSONAL FILE

1939: Born. Educated: Chesterfield School and Queens' College, Cambridge (economics). 1961: Joined Treasury. 1970-5: Seconded to International Monetary Fund, Washington.



Ashley Ashwood

offsetting this distribution bias in favour of the tied salesman by identifying ways in which there can be sensible disclosure by the tied salesman's company at the time he is selling a competing product," says Mr Walker. But he admits that he does not know how this can be achieved.

As for changes to the Act, he would like eventually to be allowed to delegate the responsibility for regulating those few firms who are registered directly with the SIB down to the relevant SRO. And he thinks some changes might be desirable in section 62, which allows investors to sue investment companies if they suffer losses as a result of a breach in the rules.

But none of this is a great priority, and he does not envisage a claim for wholesale changes to the law. What is a clever man like Mr Walker, with his brilliant academic record and youthful reputation as a Treasury economist,

doing with a policeman's truncheon? He says he makes no excuses for being an intellectual, since most of the issues he is facing are really rather difficult. And he hopes that his intellect may provide him with some protection against the rougher elements he will have to face in his new role.

"Someone said to me, and I rather treasured this, that one was unlikely to gain much love from this job. The most one could hope for would be respect. Well, that's absolutely fine by me."



JUSTINIAN

THERE SUBSISTS among judges and lawyers of the Anglo-Saxon systems of the Commonwealth a special relationship. But whenever the independence of the judiciary in a Commonwealth country is threatened by executive government - as in Fiji last year and now in Malaysia - the normal quietness of that relationship is instinctively aroused.

Malaysia and the rule of law

ter and the country's highest ranking judge is traceable to a decision of the Supreme Court in January 1987, when the courts quashed a decision of the Government which had ordered the deportation of the Asian Wall Street Journal's correspondent in Kuala Lumpur. The Prime Minister reacted publicly to this rebuff.

In March there were further clashes. A High Court judge granted habeas corpus to a distinguished advocate and MP, Mr Karpal Singh, from detention under the Internal Security Act. Dr Mahathir immediately appealed. The Lord President fixed the date of the appeal for June 15 before a bench of five judges, considering that the circumstances of Mr Karpal Singh's arrest and detention at a big disadvantage to a salesman who are tied to a particular company, and who will not under the present rules be required to give the same level of information.

investigating the charges and submitting recommendations. The main ground for the application was that the tribunal's composition should be a matter solely for the King and not of advice from the Cabinet or a minister. The tribunal is composed of six members, headed by the Chief Justice of Malaysia. He is joined by the Chief Justice of Borneo and two retired judges. Two outsiders to Malaysia were appointed - the Chief Justice of Sri Lanka and the Senior Judge of the Supreme Court of Singapore.

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ARTS

West End cast changes

Martin Hoyle

That there is still a West End audience for theatre that is not musical, thrilling or farcical is hearteningly illustrated at the Phoenix, where Simon Gray's Common Pursuit attracts the enthusiastic young, the intelligent middle-aged, and civilised Americans. They all know what they have come to see and why, greet the in-jokes with unaffected laughter, and even a disgruntled rival (an abused thespian?) start a one-man ovation for the job at hand.

Cast changes in this near 20-year saga of Cambridge friends making, breaking or blowing it in Academy, publishing and media pundite to a descendant of emotional wreckage or satire replaced the starchy professional funny men (Mayall, Sessions, Fry) with less incisive performers. Mr Gray's often bilious muse is here in clubbable, almost mellow mood.

John Gordon Sinclair has moved from the coffee-table academic to the Tynesque TV presenter. He remains the affable, gangling sixth-form clown, good-natured but nowhere convincing as media careerist, literary hatchet-wielder or satirical snarker. Jason Carter's compulsive fornicator and professorial muddler is nearer the mark, and Patrick Barlow as the homosexual philosopher dot, initially a little too old, injects an acidic element with his prim, thin-lipped disapproval - less convincing than his predecessor, I suspect, but all the more real for that.

Exclusive Yarns/Comedy

Michael Coveney

There is a section of the television-watching community that finds *Dynasty* and *EastEnders* worthwhile. Critics write about them as if they mattered, whole newspapers are devoted around their gossipy accretions. Even trashier serials like *The Colby* and, worst of all, *Neighbours*, command huge viewing figures.

The addictive palliatives are now celebrated in a sharp but slight, naughty but nice, funny but faceless, little and not very large entertainment scripted by Gary Lyons and Stewart Permut. *Exclusive Yarns* is a low camp distillation of all known soapy clichés mixed with a parallel study of its male fan club whose members dress up as the televisual habitués of a Primrose Hill wool shop. Originally seen on the fringe, the play has graduated to Channel 4 and now to the West End. It is slight, tenuous and fatuous. On its own terms, and to a limited cult audience, such adjectives may be terms of endearment.

The types will be identifiable. There is Susie Blake as the receptionist hoping for better things, Lesley Joseph as a gossipy hip-swinging Joan Collins overseer, Colette Gleeson as the wronged wife running a restaurant (called 'Tipical's'), and Pam Ferris, flattening all shared Experience credentials, as the alcoholic head of a failed nanny agency who has been drifty about more times than Esther Williams.

years back has dulled. She really should get over crucial lines such as the revelation of her affair with everyone's best friend, decent, mousey Martin (news that should shock us besides the on-stage characters) better than this. Paul Mooney's Martin, like-able, loyal, the unexpected winner in the sexual stakes, is a beautiful performance.

Ultimately nothing much happens, as opposed to being repulsed like a television sitcom where the head of the family enters to applause with the cry of "Hello, darling! I'm home." Here they burst in with accounts of the latest Arts Council grant, career lurch or adulterous imbroglio. The form would be appreciated by the audience at the Albany: a number of young people with large square-cut heads, with whom you would not contest the elbow-rest in a tube without being trumped.

There are different strands in this messy, one-joke play that might be worth disentangling, but the house laughed its head off at the most obvious jokes and the production seems to have settled for the lowest common denominator. As the reticent nomenclature who feigns incomprehension of English to avoid unwelcome social contact and is forced to keep up a pretence after becoming everyone's favourite (because harmless) confidant, Mr Watt displays a smile of winningly bright inanity but lacks the varied technique to make much of the comic set-pieces. Best performance: Boston-reared Catherine Furse, a young actress of warmth, spirit and intelligence who will probably be overlooked by the unlovable fans of lovable Cockney seepers.

Classicism down by the riverside

Architecture/Colin Amery

Quinlan Terry's Riverside Development by the Thames at Richmond in south-west London

I wanted to write this review in Latin. It may have been perfectly possible but, *mer maxima culpa*, I have not worked hard enough or long enough on the traditional language to enable me to express myself with total facility. The fault lies with me, not with the ancient and noble tongue.

To build today in the classical language of architecture demands the sort of training and application that is needed to acquire fluency in an almost lost language. These thoughts came to me as I contemplated the new Richmond Riverside - a large development by the Thames designed in a mixture of classical styles by the architect Quinlan Terry. It is a strange sensation to stand on the bridge at Richmond, built in the 1770s, and look at a range of classical facades built in the 1980s. There are some 28,000 or so architects in England and there are probably only eight who could build as well as this, using the traditional classical forms. This is not a reflection upon the tradition but a reflection upon the appalling state of architectural education. Architectural schools have rejected tradition, practically stopped teaching history, and in the past 40 years or so have taught only the dogmas of the Modern Movement.

It is very important for anyone who is interested in architecture to go to Richmond and contemplate Mr Terry and Haslemere Estates' achievement by the Thames. It will prompt many thoughts about the state of the art of architecture. Is the whole thing a dreadful sham - merely a set of old clothes draped around some modern offices and shops? Or are the care, sense of propor-

tion and the humane scale showing us that it is perfectly possible to build harmoniously in our towns and cities? Is it a demonstration of Mr Terry's total mastery of the classicism or a mish-mash of half understood devices that does nothing to expand the traditional language?

Richmond Riverside is a large development. It is immediately to the north and west of Richmond Bridge, bounded by Bridge Street, Hill Street, Water Lane and the towpath on the Thames. The site covers 3/4 acres, and had for a long period been subject of planning debates. The old Victorian Town Hall, Heron House dating from 1716, and the Italianate villa with a belvedere tower by the bridge (one of a series in Richmond by the Victorian architect Loxton) all demanded to be respected.

Back in the early 1980's there was another proposal for a more ruthless exploitation of the site, but the public voted overwhelmingly in favour of the Terry scheme. Richmond's riverside and the marvellous Georgian and early 19th century houses on The Green and in the town demanded sympathetic neighbours. Quinlan Terry has responded to this as well as to the demanding commercial brief, providing more than 100,000 square feet of offices, more than 10,000 square feet of shops, some (but not enough) flats and basement car parking for 135 cars. On the long river frontage there is a handsome garden with steps, ramps and cypresses, paved squares, quadrangles, and even a fountain.

In the past Quinlan Terry has been considered mainly as a designer of small country houses and garden ornaments. His recent Howard Building for

Downing College, Cambridge, is a rare strange and middled masterpiece in our list. The planned rebuilding of the Roman Catholic cathedral at Brentwood may well turn out to be his most interesting work.

With his largest urban development at Richmond, he has been very catholic within the classical canon. I think he is wrong not to see any virtue in modern architecture, but accept that he must therefore be judged on purely classical criteria. The Classical Orders must control the whole of any real Classical scheme. At Richmond we have only Classical facades. "But," I hear perceptive readers say, "what about Nash and what about the scenographic tradition of English Picturesque Classicism?" Richmond certainly fits into that, but it does not have the subtlety of Portmeor or the grace of Nash.

Mr Terry has really designed at least ten different buildings here. He has broken up the speculative office blocks and made them read as houses, even as small merchant palaces, and used stylistic variety to define separateness. Classical sources are as various as Chambers, Palladio, Baroque Rome, Greek Revival and even Venetian Gothic.

The Venetian Gothic facade on Bridge Street sits on extraordinarily debased Corinthian columns and further on, as the shopping colonnade goes along the length of Hill Street, on large baseless Doric columns that vary in height with the gradient. The largest office building in the scheme is called The Castle, replacing the rather innocent and charming William IV Castle Hotel. The long range of offices is modelled on the Chambers design for Richmond Palace: stuccoed

Weighing the Heart/Sadler's Wells

Clement Crisp

As part of the Almeida Festival, Second Stride ended last week in Rosebery Avenue with three performances of *Weighing the Heart*.

This is the exercise in pinning the tail on the religious donkey - more by luck than judgment - which I reviewed from last year's Brighton Festival. I was less than enchanted then; renewed acquaintance suggests that the piece is more slick in presentation, but no less slick in forcing relationships between a variety of myths and sacred texts where none actually exists.

I am not sure whether, in fact, the piece merits consideration under a dance heading. The company numbers some five dancers in its roster - Philippe Girardeau, Michael Popper, Sally Owen - but Ian Spink's choreography makes few demands upon them other than in matter of displays of temperament. The interest resides more in production elements from the story of Tobias and the Angel. Only in the close-

formers to sustain our belief in what they are doing during arcane and often incomprehensible incidents.

There are two and a half pages of programme notes and information to explain and justify what

The performers must sustain our interest as they tackle ideas that are sometimes incomprehensible

we see, but nothing is made clear on stage in the first part of the evening, which confuses narrative from *The Magic Flute* with elements from the story of Tobias and the Angel. Only in the close-

ing sequence, when Tamino and Pamina are shown as wedding and funeral icons, pinned with paper money and flowers, surrounded by a small harvest festival of produce, did I feel that frisson of theatrical life which transforms the pedestrian into the mythic.

The second half of the evening, wherein Mohammed, Hecate, St Antony and Simone Weil (among others) are involved in little mime scenes, leaves no doubt as to what is going on, but no compensations of dramatic flair. It is all too clear how these characters are being put through their dull little paces, and all too obvious that the production is not able to illuminate their identities for us.

There is, throughout the evening, an accompaniment - excessively and headachingly loud - from the band 'Man Jumping'. Of the moments variously suffered by Mr Spink's characters, this is surely the worst.

Lohengrin/Covent Garden

Richard Fairman

The swan in this revival of *Lohengrin* is running a fully-booked passenger service at the moment, as singers of the title-role have come and gone with remarkable rapidity since Plácido Domingo announced that he would not be turning up to give us his first Wagner role in London.

By this, the penultimate performance of the run on Saturday night, there had been changes in several of the other principal roles as well. More by luck than judgement the Royal Opera found that it had succeeded in bringing together a cast that was exclusively German in origin, and the virtue of that shone through handsomely in some strong and idiomatic portrayals that pushed Wagner's text forcefully across the footlights.

The young soprano Mechthild Gessendorf started this season by coming to the rescue of the Royal Opera's *Tristan und Isolde* and she has now ended it by doing the same favour for *Lohengrin*. Ideally one would like the virtuous Elsa to be sung with a more relaxed purity than Gessendorf can provide; but she uses her bright and tense voice with immense

control and generates a lot of dramatic excitement from what is generally regarded as a passive role.

Indeed, the only passive element among a cast who seemed determined to play the opera for all its worth was the Lohengrin himself, who was sung at this performance by the young Herbert Edwards. This was a case of admirable intentions only partially realised; one was left wishing that so many sensitive ideas, especially in the singing, could be liberated from a performance that had been put together in such a self-conscious manner.

No problems of that kind from the Ortrud and Telramund: Gabriele Schnaut and Hartmut Welker, tough singers both, who aroused a visceral force from their scene together in the second act, despite the prosaic accompaniment in the pit from Jeffrey Tate. It bodes well for Wagner over the next couple of decades that there is a new generation of German singers like these with the sheer vocal power and stamina to keep the operas alive.

James Taylor/Albert Hall

Antony Thornecroft

There is a myth that pop stars are invariably found dead in wrecked hotel rooms, aged circa 30, with a bottle of pills beside them. James Taylor is a beautiful, even the oddballs. At one time there was none more oddball than James Taylor, who in his brief public appearances between heroin addiction and trips inside mental asylums used to sing plaintively about travelling down the dusty highway carrying a broken heart. But that was nigh on 20 years ago.

Now there is a James Taylor who puts on one of the most relaxed, musical and gently humorous shows around. You can tell it is the James Taylor because he wears the same baggy grey flannels and braces and has the hairiest bass player in the world, Leland Sklar, still in the band. But what a difference. Taylor's own long lank hair, which added much to his wounded spangly appeal, has almost completely disappeared, but so has the anguish. His new music is up beat and instantly if not deeply appealing, and trendily global in its influences.

Taylor now actually gets the girl in his new songs like 'Sweet potato pie' and so he should. I know he has had plenty of practice in developing a stage act, but

even so he is comfortably amusing as he eases into the interview - a thing we do superbly well - including songs from the past that might otherwise embarrass him, like the soppy 'You've got a friend', as 'my heavy metal number'.

In fact the whole evening is a pleasant surprise. Taylor has always been good at annexing other people's songs. In the early 1970s, like 'Fire and Rain', then the calypso-ish numbers of a few years later like 'Lighthouse' and 'Joshua Gone Barbados', up to the 'gosh, we've survived' anthems of today, like 'Never die young'. They are helped by Taylor's true and musical voice.

So when at the end he sings, alone, 'Sweet baby James' you forget the nerve racking tension which accompanied the song in 1970 and see a comfortable, successful man performing his party piece with detached nostalgia, and you join in the reunion euphoria.

Carmina Quartet/Wigmore Hall

Paul Driver

This young ensemble, founded only in 1984, and trained by some of the illustrious practitioners of the quartet-player's art (Sandro Vega, the Amadeus members), is already one of the best string quartets you could hope to hear. On Saturday it gave the first of two Wigmore recitals (the second next Saturday) and made a stunning impression.

The playing is immensely refined, never precious, very powerfully projected on occasion but always lovingly detailed. It is a quartet of streamlined technical perfection which also rejoices in the opportunity for musically little touches of *rubato* and *portamento*. Its collective sound is clear, fresh and slightly spare. It does it better than most, never harsh, indeed the Carmina is able to produce a sweetness of tone that is wonderfully unclinging.

All these virtues were apparent

in their first item, Haydn's fascinating Quartet in B minor, op. 33 no. 1, and more besides - particularly the way in which the inner parts were subtly coloured and made responsive to the faintest musical pressure. The perfor-

The next programme from this young ensemble is sure to be one that should not be missed

mance conveyed a sense of alert (Haydnesque) intelligence and an ear for fine-spun texture. The *Presto* finale was done with the liveliest virtuosity. Schubert's *Quartettsatz* began

with a splendidly achieved scrupulous crescendo and continued with a main tune strongly sung on its first appearance but exquisitely feathered on its second. The players commanded the widest dynamic range and had the full measure of this extraordinarily compressed yet burgeoning piece of music.

Schubert's *Death and the Maiden* received an altogether magnificent account. The Allegro first movement was detailed and dramatic in equal proportions; exhilaratingly driven but memorable for its instances of individual virtuosity and finesse. The famous *Andante con moto* brought heartbreak to perfection and reminded one of Juberbert's remark that 'pure joy is equivalent to joy'. The final had an almost terrifying tonal intensity at climaxes. Next week's programme of Haydn (op. 76 no. 1), Bartok (no. 2) and Mozart (K. 387) should not be missed.

Saleroom/Antony Thornecroft

Turner set to exceed £6m

There is no doubt about the event of the week. On Friday Christie's will offer one of the most important paintings by the young Turner which is still in private hands. It is entitled 'Rain, Steam, and Great Central Railway' and was painted in 1838. Turner believed that the classical world still existed in contemporary Italy, and his fantasy is given full rein in this golden landscape.

It was bought by the Victorian steelmaker Joseph Gillot, the greatest collector of his day, and is being sold by Evelyn de Rothschild whose father, Anthony, acquired it in 1929. It is expected to sell for more than £2m.

The United Kingdom is flush with Turners, with the Tate alone possessing many hundreds, so there should be no restraints on an overseas buyer acquiring the work. The Japanese are known to be very keen on this early Impressionist. A painting by Laurent Agasse of two leopards playing a game of chess was a frequent visitor to Folli's Menagerie in the Strand and painted this impressive pair in 1808.

work. It was exhibited at the Royal Academy in 1780 and carries a top estimate of £800,000. An oil sketch by Constable of a view in Dedham Vale, one of his favourite subjects, is on offer with a top forecast of £250,000. It has appeared at auction twice before, fetching 30 guineas in 1877 when the collection of Constable's son Lionel was dispersed, and 9,000 guineas in 1959.

Sotheby's has some good Egyptian pieces in its antiquities sale for today, including a green glazed faience handle of a *sistrum*, a musical instrument often used in the rites of Isis, which dates from around 600 BC, and could make £40,000. There is also a fine amuletic figure of the blue-eyed god Thoth, of about 720 BC, which might make £30,000.

On Wednesday Christie's will hold its major summer sale of Decorative Arts from 1880 to the present day. It is unusual in including a great deal of furniture, in particular a set of 12 chairs made by Pugin well before 1880 for the Palace of Westminster, but later removed. They are incorporated because of Pugin's influence on the modern movement. Another famous architect, Alfred Waterhouse, was also a designer, and concocted for Manchester Town Hall are also up for sale.

Arts Guide

OPERA AND BALLET LONDON

Royal Opera (Covent Garden). Andrew Lloyd Webber and Celia Hodson's production returns with its original base. Robert Lloyd, in the title role, and a cast including Vadim Popov, Robert Tear, Stefania Toczyska, and Gwyneth Howell. James Conlon conducts. The unsatisfactory Peter Wood production of Don Giovanni returns with a superior cast (including Thomas Allen, Stafford Dean, Keith Rankin and Stuart Burrows) and Colin Davis as conductor. Gwyneth Jones's performance of Strauss's Elektra is one of the most compelling in the Opera House has seen in some while. The other cast members - Helga Dernesch, Ruth Falzon, Willard White, Kenneth Wollman - are first-rate, as is Gerd Albrecht's conducting. (240 1086).

PARIS

Cologne Opera (Théâtre des Champs Elysées). La La La, conducted by Irwin Fischer, is a vivacious and colourful production which brings to life Rossini's mixture of comedy and pathos. The opera *sembrava* is co-produced by the Paris Opera and the Théâtre des Champs Elysées (47 30 35 37).

Paris Opera (Palais Garnier). Pier Luigi's production of Norma, conducted by Marzio Valdes, holds brilliantly the strands of the romantic tragedy. It alternates with a production of *Pastor* by Jorge Lavelli in co-production by the Paris Opera and the Théâtre des Champs Elysées (47 30 35 37).

WEST GERMANY

Roma, Opera. Giancarlo del Monaco's production of *La Traviata*, conducted by Kristina Laki, Dalmacio Gonzalez and Brian Schmeidler, closes the 1988 season.

Frankfurt, Opera. Peter Mutschach's production of *Il Barbiere di Siviglia* has its premiere this week, with a cast including Alice Baker, Josef Runkel, Erwin Dora and Alessandro Corbelli. Jenara is revived with Helena Dosses outstanding in the title role. Der Wildschütz, conducted by Volkmar Oltrecht, will be offered for the last time this season. The cast is led by Josephine Engelstump, Elsie Maurer, Susanne Freyer and Jervoll von der Scheff.

ITALY

Milan. Teatro Alla Scala. Zeffirelli's production of Turandot, conducted by Loris Maazel, with Ghena Dimitrova, Franziska Leitz, Milena Paul, Nicola Martinucci and Saverio Sommariva. (80.81.38)

Venice. Arena Di Verona. Traditional production of Puccini's *La Gioconda* by the French director, Jean Claude, very conducted by Christian Bada (musical director at Spoleto until last year). The cast includes Giovanna Casolla, Bruna Scuderi and Silverio Carril. Report of Pietro Zuffi's 1987 production of *Alba*, with glittering metallic sets and costumes, and a cast including Renzo Ruscini, Florina Cosentino and Franco Bonisoli as Radames. (260.1008)

WASHINGTON

Paris Opera Ballet (Wolf Trap Festival). A week-long visit includes performances of *Cinderella* and Rudolf Nureyev's re-fashioned Swan Lake. Ends July 17. (438 0500).

TOKYO

Madness (Verdi), with Shirley Verrett, Justino Diaz and the Fujiwara Opera Company, conducted by Adelstein Valeri and directed by Paolo Trestini. Tokyo Eureka Kaitan Gion, (Wed, Thurs), 471 5380.

Kyushu/Kansai Classical Dance Drama of Iwata. Lefort Museum, Akaoka (Mon), 461 0983.

Seiyuwa. World premiere revival of an opera ballet by Tansui, conducted by Jean-Claude Malgoire, with the Baroque Orchestra of the Tokyo Summer Festival. Produced by Francis Rafferty. Shinjuku Bunka Centre (Wed), (350 1141).

MUSIC

London. Dizzy Gillespie Big Band with Chuck Mangione. Royal Festival Hall (Mon), (228 2181).

City of London Sinfonia and London Concert Choir. Conducted by Andrew Lucas with soloists. Mozart and Haydn. St. John's, Smith Square (Tue), (222 1261).

Carlos Salinas and Wayne Shorter. Royal Festival Hall (Wed).

WEST GERMANY

Schleswig Holstein. This summer's festival has been extended to 176 concerts in 11 different venues. World-famous soloists and ensembles forming in small villages from the island of Sylt in the north to Woburn in the south, as well as Hamburg and Lüneburg. They will be playing in major houses, barns, churches and rising stables. The festival's orchestra, trained and supported young talent: there will be 16 master classes with Siegfried Lorenz, Heinrich Schiff, Elisabeth Leonska, Sieber, Nina, Nicolai and Lev Mamurov, among others, in Lebeck's music school. The festival's orchestra, trained throughout the summer by Leonard Bernstein and Sergio Celibidache, will then go on a concert tour of West Germany.

Highlights are the Festival Orchestra, conducted by Leonard Bernstein and Sergio Celibidache and Christoph Eschenbach; Giuseppe Sinopoli and the Philharmonic and Iona Brown conducting the Academy of St. Martin-in-the-Fields. Soloists include Gidon Kremer, Shlomo Mintz, Boris Pergamentshchikov, Heinrich Schiff, Bruno Leonardo Gelber, Elisabeth Leonska, Siebert, Lucia Popp, Dietrich Fischer-Dieskau, Hermann Frey and Peter Schneider. Schleswig Holstein Festival, Postfach 8640, 2300 Kiel, West Germany. (0431 81070).

NETHERLANDS

Amsterdam. Concertgebouw. The European Community Chamber Orchestra, conducted by Ivor Bolton, with a programme of Mytilade, Haydn, Paisiello (Thu), in the Concert Hall; a recital by the winner of the 8th International Piano Competition (Mon); guitar recital by Roberto Assel (Wed), (718 342).

Royal Festival Hall (Wed).

NEW YORK

Mostly Mozart Festival. Opening special event of the festival is the Mostly Mozart Festival Orchestra, conducted by Gerard Schwarz with Vladimir Feltsman (piano) and Frederick von Steude (mezzo-soprano) in a programme of Mozart and Haydn. Avery Fisher Hall, Lincoln Center (Tue), (874 2424).

Aviva Aronovich piano recital. Aronovich, Schumann, Chopin. Baroque of Free Concert at IBM Atrium, 56th & Madison (Wed 12.30 mat).

St. Lukes Chamber Ensemble, with Scott Kruy (guitar), E. Strauss, Dvorak, Boccherini, Camerone Festival, Bedford (Thu), (314 228 5058).

CHICAGO

Karvins Festival. The Beaux Arts Trio plays Haydn, Beethoven, Tchaikovsky (Mon). Chicago Symphony Orchestra, conducted by Vladimir Spivakov with Ray Still (oboe) presents an all-Mozart programme (Wed), (726 4522).

TOKYO

Vernan Handley conducts the Yomiuri Nippon Symphony Orchestra, with Rainer Kuchl (violin), Mendelssohn, Mozart, Dvorak. Suntory Hall (Tue), (270 1151).

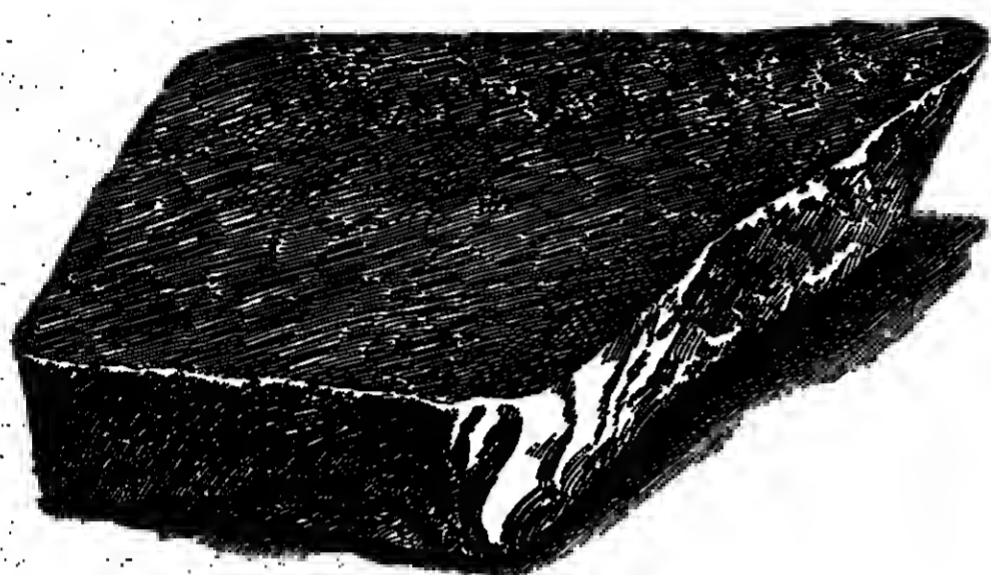
Philharmonisches Orkester Berlin. Mozart, Beethoven. Suntory Hall (Tue), (268 3201).

Tokyo Philharmonic Orchestra, conducted by Jukka-Pekka Saraste, with Izumi Tateno (piano). Dumbky, Khamachanin, Bartok. Tokyo Bunka Gakkan (Thu), (268 9256).

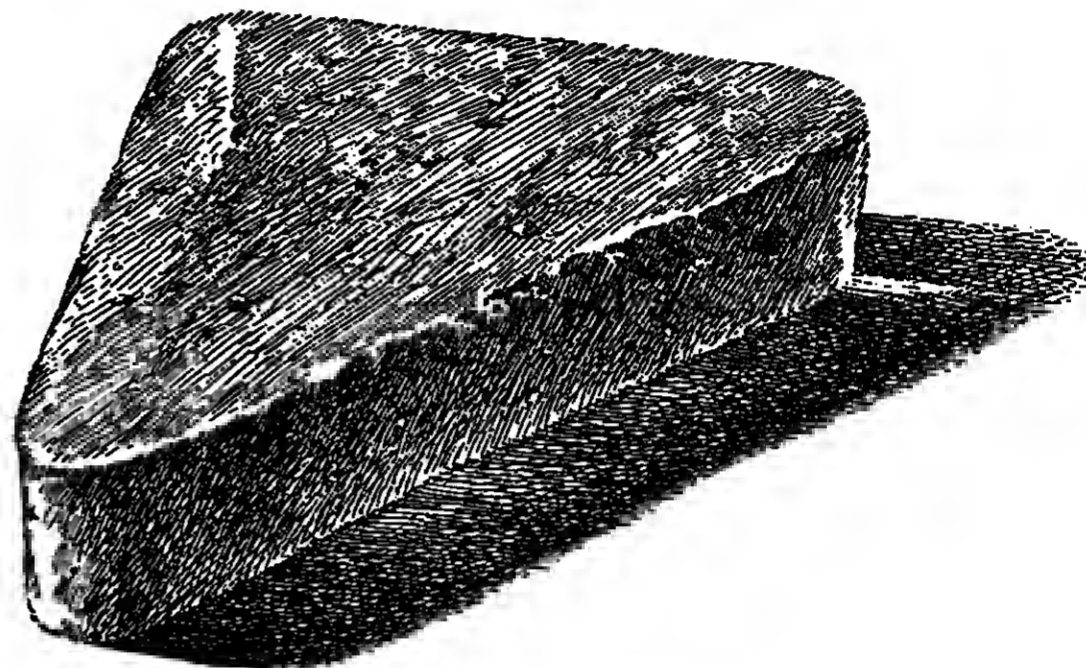
Shimizu Nihon Symphony Orchestra, conducted by Kazuo Yamada. Haydn, Mahler. Suntory Hall (Thu), (268 4585).

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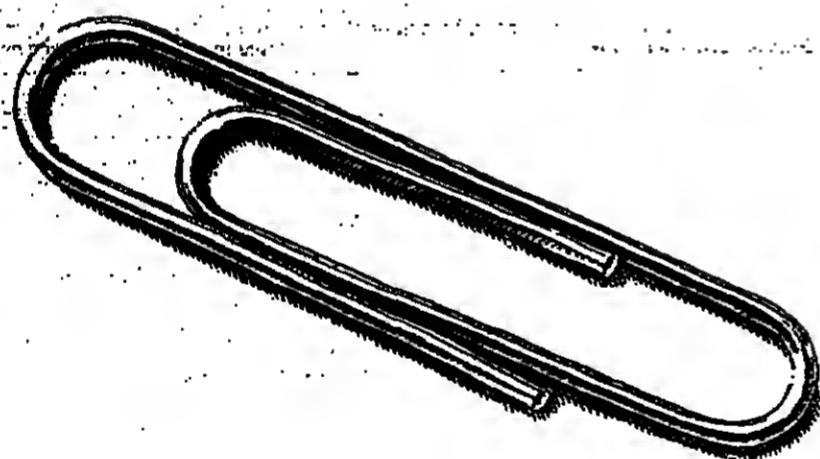
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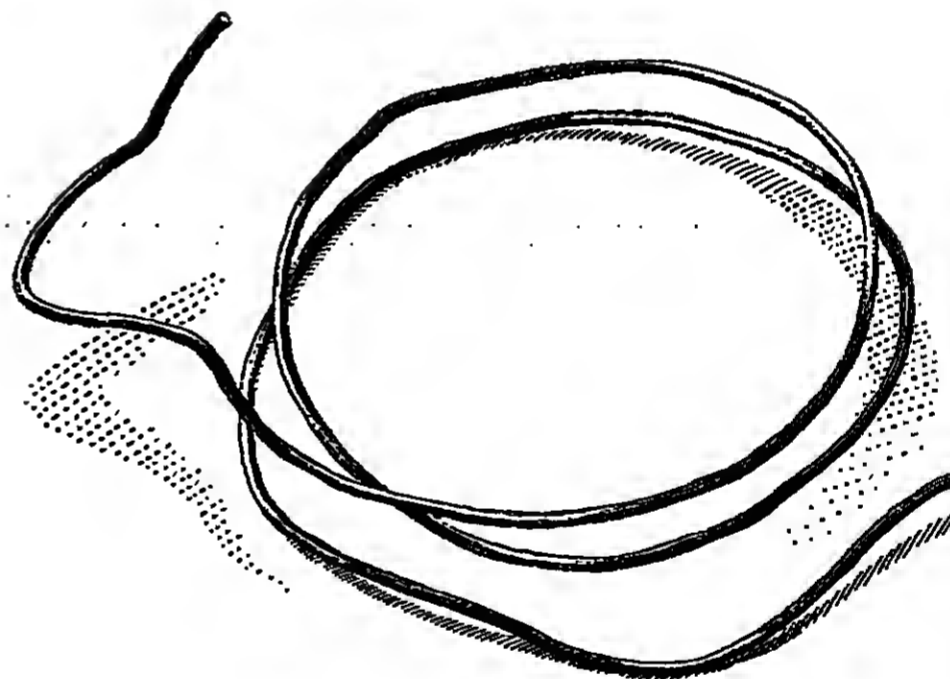
GERMANIUM



SILICON



A PAPER CLIP



COPPER WIRE

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Monday July 11 1988

Judy Dempsey and Leslie Colitt report on a new era in Eastern Europe

Mexico's new politics

MEXICO'S ruling institutional party, the PRI, is not in the business of losing elections. Yet five days after the country voted in presidential and congressional elections last Wednesday, it still could not credibly prove that its candidate, Mr Carlos Salinas de Gortari, had won the highest office. Even Mr Salinas himself, with a display of honesty that can only be commended, conceded that the opposition had done well enough to turn Mexico, de facto, into a pluralistic political system.

That in itself is, by Mexican standards, a revolutionary development, and, as such, poses an enormous test to the body politic, even to the point of creating a constitutional crisis. In the firing line are not only Mr Salinas and his principal opponent, Mr Cuauhtemac Cardenas, who led a broad-based coalition of the left, but also the amorphous mass of the PRI itself, in their respective but different ways, the two men clearly possess principles, whereas the party has principally been obsessed with power and the means of retaining it.

Thus, the interpretation that Mr Salinas chose to place on the election, while entirely in character for himself, must have come as a dreadful shock to the party machine. It is an admission that no amount of the old "alchemy" with votes could conceal the success of the opposition's campaign and it undermined the entire arrogance of the PRI, which has always behaved as if it had a divine right to rule.

Economic policies

Several explanations may be advanced. The depth of support shown for the opposition may in part be a consequence of the economic policies which have been pursued by the De la Madrid administration and of which Mr Salinas has been a principal architect. The shift towards a more market-oriented and less interventionist approach in both domestic and external policy represents a sharp break with the PRI's traditional stance. The unprecedented showing of Mr Cardenas has shown that the PRI has lost its monopoly over Mexican nationalism.

An even bigger factor has been

discontent over the style and tactics of the PRI apparatus. It has consistently sat upon a growing chorus of opinion within and without the party demanding greater pluralism. Where reforms have been made they have usually been too grudging. Mr Cardenas is a direct product of such dissatisfaction, starting out by offering loyal opposition within the PRI, then breaking from the party no more than two years ago in frustration over the inability to open up the presidential selection process. Admittedly he has been able to trade on the name of his father, Mr Lazaro Cardenas, Mexico's most respected president who nationalised the oil industry.

A rich irony

Apparent attempts to rig the vote in advance encouraged the Cardenas phenomenon. Here there is rich irony. Mr Salinas had everything going for him: youth, a respected political lineage linked to both left and right, intellectual brilliance and an impressive track record in the run-around the Mexican economy in the midst of the debt crisis. Without the PRI's gerrymandering he probably would have won a creditable victory.

In the aftermath of the election, it is vital that all sides understand that new ground must be made to open up. Mr Salinas must respect fully the presence of Mr Cardenas' broad left coalition and the right-wing PAN, the latter having been long denied a rightful say in the North. He must also begin a gradual decoupling of the PRI's previously inseparable linkage with the state that has fostered so much of Mexico's pervasive corruption. Only in this way can he demonstrate his electoral commitment to "modern politics".

This is not going to be easy because so many entrenched interests are at stake. The brutal murder of a close aide of Mr Cardenas in the election run-up shows the lengths to which these interests are prepared to go. The opposition is justified in pressing for evidence of ballot-rigging to be fully investigated. But moderation on all sides will be necessary if Mexico is to build on the genuine political advance which this election has marked.

Time to rethink National Savings

CAN A £36bn investment institution be turned on and off like a tap? That is the challenge being faced by Britain's Department for National Savings, which has been seriously affected by the Government's swing into fiscal surplus. For the past few years National Savings has been contributing a steady £2bn to £3bn towards the funding of the public sector borrowing requirement. That means it has been obliged to maintain competitive terms for its products and achieve high gross sales because as a mature institution it has needed to offset a steady pattern of withdrawals of existing investments.

But these days the Government has little need to rely upon National Savings for new net funding. Accordingly the department's aims have been modified: it is now looking at the quality and structure of the National Savings debt rather than primarily at its quantity. Apparently this amounts to a concentration upon "sticky money", that is, savings which will be locked up for extended periods. This can be achieved, for instance, by paying bonuses on investments held for five years and discouraging early withdrawals.

Restructuring

At any rate, recent months have seen a consistent reduction in the rate at which money is being attracted. In May, for instance, the net contribution to Government funding was only 283m. The director, Mr John Patterson, says in his just-published annual report that the measure of success will no longer be the amount of money attracted each month but will be much less simple, based on such factors as whether customers are being induced to switch from mature issues of Savings Certificates to the new one, and whether non-taxpayers are getting the message that they can receive a gross income from National Savings products.

But it is time to take a more radical look at National Savings, which for comparison is about the same size as the unit trust industry? If the Government is serious about running balanced budgets for years into the future, does it need its own retail savings operation? It is 15 years since the publication of the Page Report, the last official review of National Savings. That made

some important recommendations, including the winding up of the patriotic, voluntary collection arm of the movement, and the restructuring of the Trustee Savings Banks. National Savings remains important as a service for small savers, often the elderly, who might not be well served by commercial institutions. But there is an artificial reason for this which could be removed: that banks and building societies are forced to deduct tax at the composite rate, and this tax cannot be reclaimed. Would not poorer savers be better served if the Government were to make it easier for private sector bodies to take on this role? In any case, it is a continuing scandal that many non-taxable investors continue to use taxable savings institutions for reasons of convenience, and suffer tax deductions.

Cheap finance

In running its own savings institution the Government is exposing itself to important conflicts of interest. Still, on the same tax point, for instance, it has succumbed to the temptation to obtain cheap finance from poor savers by depriving them of the opportunity to obtain the most competitive tax-free rate (other than by using offshore accounts).

More generally, its lesser need for financing means that it will be offering less competitive rates to investors than in recent years. This is contrary to the interests of loyal savers. It is a strange decision, too, when the personal sector savings rate is exceptionally low and there are increasingly strong arguments for raising savings incentives. A lower profile for National Savings also allows still more money to flow into the building societies to stoke up the dangerous house price boom, still further. If the Government is determined to retain the elaborate structure of the Department for National Savings, with some 7,400 staff members, because it may one day need it again, would it not make more sense to keep fully loaded for the time being by selling private sector products through it? An even more radical approach, which certainly deserves consideration, would be for the whole process of selling government savings instruments to be privatised.

WHEN Mr Mikhail Gorbachev, the Soviet leader, addresses the leaders of the Warsaw Pact in Poland later this week, he will be forced to confront his own paradox. After months of insisting that the Soviet model of glasnost and perestroika (openness and restructuring) should not be slavishly copied by other socialist countries, he will try to persuade his east European allies both to introduce economic reforms and to improve radically their human rights record.

The way in which this paradox is resolved will indicate what direction Mr Gorbachev's policy towards eastern Europe will take over the next few years.

Since the Communist takeover in eastern Europe after the Second World War, Moscow has been plagued by unrest in the region. It stemmed from the fact that the Communist system was imposed on political cultures, most notably in the Czech lands as well as in parts of Poland and Hungary, which had democratic traditions.

Over the years, sections within the ruling Communist parties and the opposition tried repeatedly to revive these political traditions either through open rebellion against Soviet domination or else by attempting to introduce far-reaching reforms within the Communist Party itself.

Now the east Europeans are faced with a situation which they themselves find difficult to respond to: for once, the Soviet Union is setting the pace and is advocating those reforms and radical changes once attempted by eastern Europe, but crushed by Moscow.

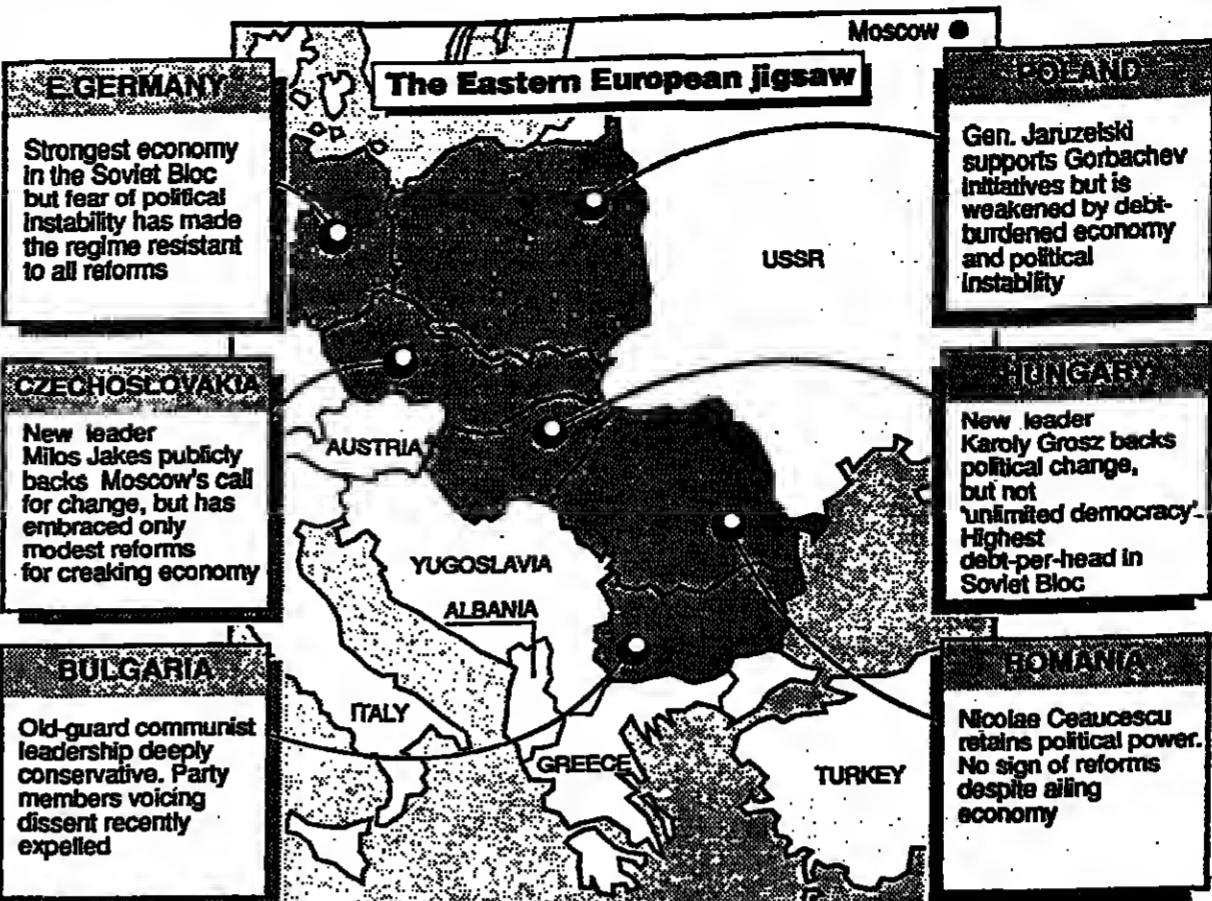
Mr Gorbachev's philosophy was best summed up in his closing speech during the Soviet special party conference last month: "The ultimate goal of perestroika is socialism with a human face." Ironically, this was the phrase used by Czechoslovak reformers during the Prague Spring of 1968.

Mr Gorbachev desperately wants to improve the image of socialism and he needs his allies to help him. Some of the allies are reluctant. Mr Milos Jakes, the Czechoslovak leader who was instrumental in purging the party after 1968, Mr Nicolae Ceausescu, the Romanian leader, Mr Todor Zhivkov, the Bulgarian leader and Mr Erich Honecker, the East German leader, are all less than enthusiastic.

Only the leaderships of Hungary and Poland are firmly in the reformist camp, but both countries suffer from badly weakened economies. Hungary has the highest per capita foreign debt in eastern Europe, followed closely by Poland. Hungary's fatal mistake was to introduce only partial reforms, which the father of the 1968 Hungarian economic reforms, Mr Rezo Nyers, noted are "worse than no reforms at all." Poland's weakness is the lack of a political consensus between the leadership and society without which reforms cannot take root.

The leader of the "big three" economies of eastern Europe, orthodox East Germany, stubbornly resists all reforms. The arch-conservative Czechoslovak leadership has halfheartedly drawn up partial economic reforms, but is determined to suppress any signs of political liberalism.

The tragedy is that the reforms may have come too late for us, as an elderly Czechoslovak reformer in the Prague Spring of 1968 noted recently. Significantly, Hungary's new party leader, Mr Karoly Grosz, was the first east European to congratulate Mr Gorbachev personally on the party conference during a visit to Moscow. The Soviet leader returned the favour by noting that many of the reforms passed at the Hungarian party conference last May corresponded with his own perestroika programme. It was, however, deceptive. Mr Grosz, in a recent interview with the FT, noted that the main difference between the Hungarian and Soviet reforms was that Hungarians made far



Mr Gorbachev and his wary allies

greater demands on their government than Soviet citizens. Undoubtedly, he had in mind the newly founded independent trade union in Hungary and the rival youth organisation, which have challenged the party's domination of public life. The party can ill afford to permit these forces to spread without endangering its own position, as occurred in Poland under Solidarity. Some of the demands for political change which Hungarians were making were "quite justified", Mr Grosz said, and had to be met. It was the demand for "democracy without limits" that was unacceptable.

But if Mr Gorbachev's reformist allies in eastern Europe are in such difficult straits, what of his allies who oppose reforms? Chief among them is East Germany, the region's number one economic power and Moscow's leading trading partner. In much the same way that West Germany has served as a model capitalist economy since 1949, East Germany has demonstrated that even a Stalinist command-type economy can be made to work. East Berlin's centrally planned and minutely controlled economy has produced one of the highest growth rates in Comcon - 4.1 per cent in the first half of this year.

But stifling controls and a lack of incentives throughout the economy have left East Germany largely uncompetitive with the West. The conservative leadership in East Berlin fears that liberalising the economic and political

system would threaten the very existence of socialism in East Germany. Many East German party members believe the Russians made a mess of building socialism and are unlikely to do much better in reforming it. Czechoslovakia, while officially espousing economic reforms, likewise has no intention of reducing the party's role in the economy. Perestroika, as perestroika is known in Czechoslovakia, is not to be fully implemented in the economy until 1991. Meanwhile, the once-vaunted Czechoslovak industrial machine is creating out obsolescent goods which last year led to huge stockpiles of unsold products.

Mr Jakes is by no stretch of the imagination a political reformer. As head of

the party's control commission, he was in charge of purging the party after the ousting of the reformist Alexander Dubcek in 1968. Against this background, what does Mr Gorbachev want from eastern Europe, given his pledges not to impose his own model on the region? The last thing Mr Gorbachev wants is instability. He is not putting pressure on Mr Honecker, nor on the recalcitrant Mr Ceausescu. He has heeded the repeated warnings of East German officials that the German Democratic Republic could rapidly become destabilised by introducing reforms which the population misinterpreted as a signal for all-out liberalisation.

Yet precisely because his radical views have raised expectations among the citizens of eastern Europe, who now avidly read the Soviet press and look at Soviet television, the party actually lead to instability. The emergence earlier this year of a Green movement in Bulgaria, of all places, showed that its normally docile intellectuals, inspired by changes taking place in the Soviet Union, felt confident enough to try to air their views.

However, much some east European leaders may be dragging their feet, the pressure on the authorities from below to respond to the Soviet changes is increasing. Unless these rising expectations can be matched with corresponding changes at the top, Mr Gorbachev could face trouble in his back yard.

This is why he must tread carefully in eastern Europe. Contrary to some arguments that the Soviet leader has virtually ignored eastern Europe since taking power - on the grounds that he has enough problems at home - the change of style in Soviet-East European relations suggests that, in certain areas, a much tighter framework now functions compared to the latter days of Mr Leonid Brezhnev.

On a purely administrative level, there are now new Soviet ambassadors in Warsaw, East Berlin, Sofia, Bucharest and Prague. Younger Soviet diplomats enthused by perestroika have been sent into the embassies in the east European capitals. Mr Gorbachev consults the allies more regularly and comprehensively on a wider range of issues than his predecessors - and listens to different views. Above all, Mr Gorbachev wants his own men on the top in these countries.

A striking example of just how closely Moscow watches the situation was the replacement, during the Hungarian party conference last May, of Mr Janos Kadar as party leader by Mr Grosz. So well-briefed was Soviet radio that it broadcast the appointment of the new leader before Hungarian radio. Moscow was also instrumental in pushing out Mr Gustav Husak, the Czechoslovak party leader last December.

While Moscow is taking a close look at eastern Europe, the attitude of the Communist parties in eastern Europe towards Mr Gorbachev is slowly and inevitably changing. The special Soviet party conference confirmed that the Soviet leader is here to stay, at least for the foreseeable future. This means that the east Europeans will have to adjust to the new situation in the Soviet Union. It also means introducing political and economic reforms, perhaps those same reforms attempted in 1956 in Hungary, in 1968 in Czechoslovakia and in 1980 in Poland, but which were quashed by Soviet tanks.

Those bitter and often bloody experiences taught the Communist parties to exercise extreme caution. It is Mr Gorbachev's task to diminish that caution. But he himself will have to pay the price for any upheaval which may arise from reforms being encouraged or prevented. It will take more than this week's meeting to resolve the Soviet paradox.

Christopher Bobinski.

Rise of Ray MacSharry

Charles Haughey, the Irish Prime Minister, is said not yet to have made up his mind whether to reappoint Peter Sutherland as the Irish member of the European Commission. The betting is that, however, that Sutherland will be retaining his bags.

To understand that, you have to look at it through Irish eyes. On the face of it, Sutherland has been a highly successful Commissioner. He has the competition portfolio at a time when competition policy is important and likely to become more so. He stands up to people like Lord Young, the British trade and Industry Secretary. If he stayed, he would have a reasonable chance of becoming President of the Commission in succession to Jacques Delors in 1991.

The Irish do not see it like that. For a start, Sutherland is from the wrong party. Fine Gael rather than Haughey's Fianna Fail. It is also said that he has become out of touch with Irish politics. Although he was briefly Ireland's Attorney-General, it is pointed out that he has never held elective office. Moreover, the Irish wonder if competition is the right portfolio for them. They are not, after all, much interested in big industrial mergers. They would prefer regional policy or agriculture and would like the post to be held by someone close to Haughey.

So the man being tipped for the Irish job in Brussels is Ray MacSharry, the Finance Minister. When he completes this year's public expenditure review in September, he will have had a good stint at stabilising the Irish economy and should be ready for a move. His closeness to Haughey is not in doubt and he has an understanding of Irish requirements from the Community. Besides, current projections have it that Haughey, like Margaret Thatcher, will be Prime Minister until well into the 1990s. Thus four years in Brus-

OBSERVER

seis would broaden MacSharry's experience while not ruling him out for the succession when it arises. Meanwhile, Haughey is off for 10 days in Australia and New Zealand. He gets on well with Bob Hawke, his Australian counterpart, with whom he has a lot in common.

Golden love bite

The black-footed ferret is almost extinct but, as the latest issue of the Gold Bulletin notes, may yet be saved by the precious metal. Attempts to preserve the species are taking place at the Snylille Wildlife Research Centre in Wyoming. They seemed jeopardised when one of the few surviving males developed an abscessed canine tooth. He was given a root canal and gold cap to prevent infection. Shortly afterwards his mate started to produce.

The reason is that the male bites the neck of the female during breeding and needs a strong tooth to do it.

Rabbi's reward

Isaac Neuman, the American rabbi who spent a controversial eight months in spiritual charge of the 193-strong Jewish community in East Berlin, is now back home in the US. He is preparing to celebrate by getting married in rather special circumstances. Neuman, who is 65, left East Berlin in May under something of a cloud after his efforts to rejuvenate the dwindling Jewish presence in the Communist part of the city ran into strong local opposition. One East Berlin lady whom Neuman met during his community work, however, made a particularly strong impression on him. And now Eva Grunstein, in her 40s, has been allowed to leave East Germany to join Neuman in Champaign, Illinois for a

Serious scrabble

The new British national scrabble champion is Margaret Rogers, who describes herself as "just a housewife" from Devizes in Wiltshire and is the first woman winner since 1960. There was some talk during the lunch break at the finals in London yesterday of setting records, and indeed the championship record is broken quite frequently. When the tournament started in 1971, the winning score was 1945 for an aggregate of three games. That was based on the shorter Oxford English Dictionary. In the mid-70s, however, the competition switched to using Chambers as the ultimate arbiter and scores became higher because it contains more words. The ambition of the really serious player today is to break the 2000 point barrier.

It did not happen yesterday. Rogers won with 1843, so the record of 1983 set by Nigel Ingham last year still stands. She had twice come 58th in the 100 player final in the past. This time, she said afterwards, she "put a lot of faith in God and played very hard. It will do a lot of good for Devizes."

The highest recorded score from a single play, though not yesterday is said to have come from the word "benzoxycampheptans", achieved by using all seven tiles along with those already placed on the bottom line of the board.

Family scrabble players may like to know that the national rules permit a large number of two letter words including "GI", "EE" and "ZO". There is a two minute time limit per go.

An enlarged Chambers dictionary will be published in October will bring the 2000 target nearer.

Windy speech

From a company staff magazine: "The sudden fierce gust of wind took all who were at the ceremony completely by surprise. Hats were blown off, and copies of the chairman's speech and other rubbish were scattered all over the site."

Lionel Barber reports on a huge shake-up for US education policies

A revolution at the chalkface

DURING his three years as US Education Secretary, Mr William Bennett has often appeared to be the reincarnation of that great Dickensian disciplinarian, Mr Wackford Squeers. In his search for lax standards, second-rate teachers and inadequate curricula in the nation's public (publicly funded) schools, Mr Bennett has often appeared to be the reincarnation of that great Dickensian disciplinarian, Mr Wackford Squeers.



the intellectual battle has been won. More and more states are adopting education policies which reflect the public demand for better choice, accountability and content in the school system. Yet the conservatives have not had it all their own way. Plans to introduce a voucher system for parents wishing to send their children to private schools have foundered; the best the Reagan Administration has been able to achieve is to prevent the slide in the number of private school students (11 per cent) as measured against those going to public schools.

Lombard Guard us from the guardians

IS THE object of the furniture industry to promote good furniture? Is the object of the publishing industry to promote good books? A shrewd publisher or furniture manufacturer might be well advised to say yes. But he would not be speaking the complete truth.

Glasnost needed for British Steel

From Mr Tony Speller MP. Sir, The world market for steel is indeed far from free (Letters, July 1). It remains artificially manipulated, to the grave detriment of user industries which have to compete in worldwide open competition.

Letters to the Editor

the present investigation into stainless steel pricing in the European Community by the competition department in Brussels were known. Indeed, it is hard to see how the previous authorities could approve a British Steel prospectus with less than this degree of glasnost. Tony Speller, House of Commons, SW1

Putting the record straight

From the Dean of Lincoln and the chairman of the Romanesque Society. Sir, I was surprised to see in Robert Graham's article ("The Pinochet recipe for growth," July 5) such a relatively uncritical acceptance of the Chilean regime's claims. According to official figures, during the total period of military rule (1973-87) Chilean gross domestic product (GDP) has grown at about 1.9 annually; this means that in per capita terms (for the average Chilean), GDP is approximately the same as it was 15 years ago.

Judgement Day



A FINANCIAL TIMES MAGAZINE

Advertisement for Pensions Management magazine. Includes text: 'How long can you hang on without taking Pensions Management? July 1 - Judgement Day for personal pensions - is upon us. So Pensions Management delivers the pertinent sentences on the new Finance Act.' Includes a form for ordering the magazine.

'The unification of Europe is difficult and dangerous'

From Mr Chris Jones. Sir, I once had an argument over bilateral relations between Britain and my native New Zealand, with a woman who insisted that the two countries were like mother and child. All the trade figures and Commonwealth conferences I threw at her were of no avail: she knew more about the subject than I did.

Chile has a darker side

From Mr Quentin Green. Sir, Robert Graham paints a glowing picture of General Pinochet's economic miracle - "outperforming all other Latin American economies", "breaking through the barrier of underdevelopment", and giving enough Chileans "a stake in the status quo to permit a stable transition towards democracy" (July 5). But this account begs the question: success for whom?

Analogy, echoing physics or chemistry, can be drawn from this, and from the American case: that the fusion of disparate elements creates violent reactions.

Europe is unlikely to follow the same violent course again - but a united Europe will be no more free from attempts at despotism than any other political entity. The creation of the European Community (EC) has already brought about a form of bureaucratic Caesarism that particularly aggravates the British. The truth is that the unification of Europe is a difficult and dangerous task. Force, in one form or another, will be needed to achieve it.

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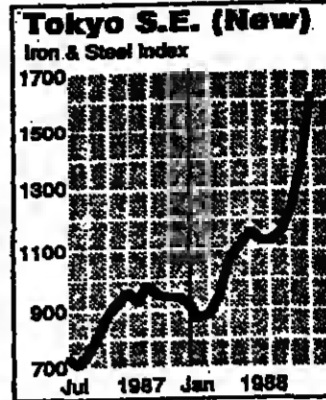
FINANCIAL TIMES

Monday July 11 1988

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THE LEX COLUMN

Picking winners in Tokyo



Foreigners have proved lamentably poor judges of the Japanese equity market lately... Picking winners in Tokyo

But if the market is expecting the Government to do a British and waive the golden share, it will surely be disappointed.

Programme Trading

Nine months have passed since the October crash, but the process of apportioning blame for the event is not yet complete.

Jaguar

The market has been in two minds on how to value Jaguar recently. On one hand, the company looks a dead case as a bid candidate, albeit not until the golden share expires 2 1/2 years from now.

It was therefore neatly appropriate that Barclays de Zoete Wedd should launch a new index arbitrage service last week in London on the same day that New York dropped its 50-point limit on programme trading.

Until a few weeks ago, the market looked at Jaguar on its merits, and what it saw led to an underperformance against the market of 50 per cent within a year.



Jesse Jackson: refusing to unite the party

Jackson tactics put pressure on Dukakis

By Lionel Barber in Washington

A MIXTURE of political grandstanding and behind-the-scenes pressure-tactics from the Rev Jesse Jackson has begun to rattle the Democratic Party's probable presidential candidate, Governor Michael Dukakis of Massachusetts.

With just one week to go before the Democratic national convention in Atlanta - which will officially anoint Mr Dukakis as the party's nominee - Mr Jackson is still refusing to rally behind the Governor to unite the party.

One of the emerging sources of friction is the interest shown by the Dukakis camp in Senator Albert Gore of Tennessee as a vice presidential running mate.

Mr Dukakis said at the weekend that he still had to decide on a running-mate and on whether he would announce the choice before the Atlanta convention opens on July 12.

The Jackson campaign is also organising a series of events outside the convention hall, a symbolic challenge to Mr Dukakis's own nomination. Just to make sure that the TV cameras get the message, Mr Jackson will lead a bus tour this week from his home town of Chicago to Atlanta called the "Jackson Action Rainbow Express."

All this suggests that Mr Jackson - who won 7m votes in the primary elections but is seen as too left wing by many white voters - is having difficulty giving up his candidacy for president.

Mr Dukakis' attempt to settle on a vice presidential running mate has also been made more difficult by Jackson camp pressure. Last week, it appeared that Mr Dukakis was having second thoughts about Senator John Glenn of Ohio, the man considered to be the front-runner for the job.

However, when he widened his discussions to this year's beaten presidential candidates such as Senator Gore and Congressman Richard Gephardt of Missouri - there was immediate hostile reaction from Mr Jackson's supporters.

Siemens starts delivery of new 4 megabit microchip

BY HAIG SIMONIAN IN FRANKFURT

SIEMENS, the West German electrical and electronics group, has started delivering the first samples of its new 4 megabit microchip to customers for testing, making it the only European manufacturer of such high-powered chips and putting it on a par with a handful of Japanese producers.

There is currently a worldwide shortage of 1 megabit DRAM (Dynamic Random Access Memory) chips, which has caused a dramatic increase in prices. Most 1 megabit chip producers are Japanese.

The company's output target for 1 megabit chips has been raised to 3.5m units for this business year to September, and it hopes to be making 1m 1 megabit chips a month by the end of the year, with output rising to a minimum 20m chips in the 1989-90 business year.

Simplified regulatory guidelines planned by UK securities body

BY RICHARD LAMBERT IN LONDON

THE UK Securities and Investments Board is planning radical changes to its conduct-of-business rules. The agency, which was set up under the Financial Services Act to supervise investor protection in the UK, intends to make the rule book much simpler and shorter with effect from the early part of next year.

The SIB is well advanced on a study into the feasibility of simplifying the rules. The aim will be to start every rule with a clear statement of the general principle involved, followed where necessary by specific provisions and guidance notes.

Mr Walker said he planned to consult the various self-regulatory organisations on an informal basis before publishing the new rule book in draft form.

He hoped that the changes would lead to a "U-turn in attitude" on the part of the investment industry towards the new regulatory regime.

He said that a great deal could be achieved without the need for any changes in primary legislation. There might be a case for some changes to the Financial Services Act at some future date, but this was not an urgent priority.

Monday interview, Page 11

KIO 'might consider cut in BP holding'

BY NIKKI TAIT IN LONDON

KUWAIT'S central bank governor, Sheikh Salem Abdelaziz Al-Sabah, said yesterday that his country might be willing to reduce its controversial 22 per cent stake in British Petroleum, the UK oil giant.

Sheikh Salem is on the board of the Kuwait Investment Authority, the KIO's parent agency.

BP has already spent \$60m on early work at Lihir, and if a decision to develop a mine is given next year, it should be producing between 400,000 and 500,000 ounces a year by the early 1990s.

Soviet managers blamed in bank failure

Continued from Page 1

must be made public "to bring order into our own home." The bank's failure has hitherto been blamed on the huge gold and currency dealing losses, put at more than \$Fr760m (\$500m), incurred by Mr Werner Peterbans, the Swiss national in charge of the foreign exchange department. He was subsequently given an 18-month suspended sentence for the falsification and suppression of documents in violation of Swiss banking law.

Zurich hotel, he reportedly told a colleague: "Things are far from well there. It seems a whole gang has been formed."

These people exchanged honour and duty for the excitement of the game, gambling on their luck, forgetting that their stakes were being made with state money," the newspaper said.

World Weather table with columns for location, temperature, and other weather metrics.

Mexico poll row erupts

Continued from Page 1

creditable to the opposition and the public is now almost impossible. The big obstacle is Mr Cárdenas' intransigence - a characteristic wholly alien to the PR's culture which assumes that almost everything can be negotiated. It has never, of course, negotiated away real power.

Speculation was growing yesterday about the role the army might play in the dispute, especially since Mr Cárdenas has called on the armed forces four times in the last month to guarantee the legality of the results.

James Buchan on Wall Street A trying time for junk bonds

PTTY THE junk bond investor. He is finding there are no easy ways to lose his shirt on these risky but high-yielding securities than the bankruptcy of the issuer.

There was the Colt Industries affair. This automotive and aerospace company issued \$850m in 12 1/2 per cent debentures in 1986 to pay a large dividend to stockholders.

The company continued to prosper, its debt burden became lighter, its credit rating was on the up and the debentures were poised to soar in price.

Stockholders rejoiced but the rating agencies started talking about "very thin cash flow protection" for Colt's outstanding debt. The debentures tumbled.

"If we're willing to take the risk, we should share in the company's improvement along with stockholders instead of being leveraged every year."

Mr Kelly used the money to launch a hostile takeover of American Brands, the large tobacco, spirits and financial services company.

Last January, American Brands turned around and took E-I-I over in what is known as a Pac-Man defence.

Since American Brands' debt is rated single-A, and E-I-I had a weak-B junk rating, Mr Harnisch prepared for a windfall when Ambrands assumed responsibility for the E-I-I bonds.

Mr Harnisch's bonds fell from 102 1/2 in the market to 89. Forstmann Leff and three other big junk bond investors, with \$466.5m of the E-I-I debt between them, lost \$62m in a matter of moments.

Mr Harnisch and the three others have sued, claiming that Ambrands misled them at the time of the January offer because it said nothing about any plans to sell the E-I-I businesses.

"This activity is animated by fund managers embarrassed and worried about their jobs. "With the E-I-I issue, they were buying a blind pool and Don Kelly's reputation but an indenture very weak in asset-sale protection. They should suffer event risk with dignity."

SECTION III

FINANCIAL TIMES SURVEY



Nearly everything seems possible for the Japanese now as the country basks in huge prosperity, and praise from abroad as its markets open. More change is in prospect and the agricultural and taxation systems in particular are ready for reform. Ian Rodger reports.

Stimulus for the world

WHAT A difference a year makes! Last July, Japan was in deep trouble. At home, its economy was sagging under the negative effects of the high yen. Abroad, US Congressmen were smashing Japanese radios on the lawn of Capitol Hill to vent their anger over the country's seemingly relentless mercantilist behaviour.

Today, Japan is basking in the warmth of unprecedented prosperity at home and praise from abroad. Its huge economy is booming and its markets are opening, providing a welcome stimulus for the world.

Its government has settled most of its international disputes with unexpected speed and grace, and is now eagerly feeling its way towards a key role in the leadership of the world.

As for the Japanese people themselves, they are showing an exuberant confidence reminiscent of that seen in the US in the early 1960s. The young, unburdened by history, seem especially confident, aggressively questioning anachronistic traditions and embracing every fact that comes along.

And why not? For the Japanese in the late 1980s, nearly everything seems possible - lots of non-inflationary economic growth, plenty of good jobs, leisure time and facilities.

Tokyo, which only a few years ago was a parochial capital where it was hard to find a sandwich, has become an international crossroad city, offering the best and the latest of the world's goods, services, ideas and trends - at admittedly very high prices - to an increasingly sophisticated public.

It would be premature to suggest, however, that Japan is entering a golden age. There is as yet little sign of any explosion of cultural creativity in the country, although the conditions are certainly favourable.

The best of Japan today is still in commercial and industrial art, at the service of the country's economic powerhouse.

Unfortunately, this exhilarating atmosphere is about to be darkened somewhat by a few nasty rows. Partly because of their new prosperity, the Japanese are finally having to deal with some deeply-rooted struc-

tural problems - in agriculture, land use, the distribution system, the tax system and perhaps even in the alignment of political parties.

While the Japanese were bending all their efforts to rebuilding the economy after the 1939-45 War, problems in these areas were either not apparent or could be ignored. Today, they are widening the gap, at a dangerous rate, between haves and have-nots.

Crowded together on tiny, mountainous islands, the Japanese have prospered and maintained social order in the post-war period partly because of a fiercely egalitarian distribution of earnings and wealth. The earnings of the typical company president are only seven or eight times greater than that of the average worker.

But the rich have become sufficiently numerous and influential that it will be politically very difficult to remove the distortions that have developed. The Government is setting out today to tackle one of these problem areas. A special session of the Diet has been convened to legis-

late a major overhaul of the tax system.

The problem with Japan's tax system is that it puts a disproportionately large burden on salary earners and corporations while leaving farmers and other self-employed groups under-taxed.

The ruling Liberal Democratic Party (LDP) has tried three times in the last decade to reform the system, but on the previous two occasions it has had to retreat

mainly because of opposition from within its own ranks. Farmers and small businessmen form two pillars of LDP support.

This time, it appears that LDP unity has been achieved, thanks to careful preparatory work by Mr Noboru Takeshita, the Prime Minister, and perhaps also to demography. With every passing year, there are more salaried

workers in Japan and fewer farmers - and the LDP, which is above all a pragmatic party of Government, tries hard to stay in step with popular trends.

However, the opposition parties are still vehemently opposed to it not because they oppose reform itself, but because the Government has decided to offset the much-needed reductions in income and corporate tax rates mainly through the introduction of a consumption tax.

The opposition sees this as regressive. By tradition in Japanese politics, the ruling party does not take advantage of its majority to ram through legislation if all the opposition parties are opposed.

However, Mr Takeshita has put his administration's life on the line for the tax reform, and so he just may be willing to break the

prices of property in Tokyo and a few other large cities.

The land price problem not only prevents people from buying homes, it also stops the Government from progressing with the task of bringing the country's shabby infrastructure up to industrial country standards.

For the moment, these internal preoccupations may take the focus off the increasingly opposite question of Japan's role in the world.

In the past few months, Mr Takeshita has more than lived up to his reputation for being able to make the Government reach difficult decisions. He has resolved two agricultural trade disputes with the US, the long-running liquor tax dispute with the European Community, and priced open a bit of the Japanese construction market for foreign contractors.

Even US diplomats in Tokyo have been startled by the results to date on these and other bilateral issues. Japanese leaders have also begun to show a real enthusiasm for fulfilling the country's enhanced responsibilities as an economic superpower

in the world.

Mr Takeshita himself has made seven official overseas trips to 12 countries since coming to office last November, and has launched new policy initiatives on relations with Western Europe, on Japan's role in international peace-keeping efforts, and on aid to developing countries.

It is now clear that aid will be a pillar of Japan's foreign policy for some time to come, not least because of the need to recycle the country's huge current account surpluses. Meanwhile, the Foreign Minister, Mr Sosuke Uno, has been assiduously cultivating relations with neighbouring Asian countries, which are gradually forming an Asian economic bloc around Japan.

Mr Uno has also just returned from a visit to the Middle East, including a first-ever visit by a Japanese Minister to Israel, indicating that Japan is at long last ready to become involved in the Middle East peace process. However, the Government still remains timid about advancing its views, if it has any, on global political problems.

Continued on page 12



Facets of life in Tokyo: Left: Commuters jam aboard a train at Shinjuku Station; Above: College students at a vending machine; and, right: Child sitting in a park

JAPAN

Page 2: The Civil Service PAGE 4: Politics PAGE 8: Business Guide PAGE 9: Working life PAGE 10: Key facts

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JAPAN 2

Profile on one of Japan's new-style politicians
A rising young star

THE SECRETARY to Mr Kunio Hatoyama, a rising young star among young LDP Diet members, wears spiked high heels, a tight dress and a bright pink lipstick. She still serves the green tea, of course, and bows deferentially as she leaves the room. But she is not your average Japanese secretary. Mr Hatoyama, however, is not your average Japanese politician. Nonetheless, his breed is on the increase in Japan. Within 10 or 20 years, his kind may be running things in Japan.

Just 38, Hatoyama is a well-connected young politician. He is the son of a former Cabinet minister, grandson of a former Prime Minister of Japan, and through his mother, he is part of the wealthy Ishibashi family, which founded Bridgestone, the tyre company.

As a result of his mother's wealth, Hatoyama could have easily chosen an easier life than that of a Japanese politician. But meeting him, it is easy to see that he shares the love of adulation and action which characterises politicians everywhere.

While answering a question, for example, he manages to tell a nearby photographer that his lens' cap is still on. Then he straightens his tie and smiles broadly.

Hatoyama lives in relative luxury in a large house in central Tokyo. He leaves his home about 7.30 a.m. and arrives LDP headquarters by 8 a.m., where he usually attends two back-to-back breakfast meetings. Breakfast is Japanese-style - miso soup, green tea, fish, rice and pickles.

Despite his notoriety for speaking his mind, even in defiance of his party, Hatoyama's day is typical of the average Diet member. After breakfast meetings, he gets to his small office in the members' building behind the Diet and sees government officials and constituents until noon (if the Diet is not in session).

Usually, his faction of the LDP, the Takeshita faction, meets at lunchtime, where they eat cold Japanese or Chinese food out of lunch boxes. If the Diet is in session, that takes up the afternoon. If not, it is back to his constituency in Tokyo, where he meets people to discuss their problems.

Evenings are generally taken up by meetings, with constituents, Diet members or bureaucrats. "Sometimes I have three meetings every evening, so my work is never done and I have no time to play," he says.



Kunio Hatoyama: not your average Japanese politician - but his kind is on the increase.

against the Government's tax plans, and that opposition has slowed my promotion. I say what I think.

"In that sense, yes, I am unusual. But of course, Japanese people are changing and young politicians are different today. 'Still, they sacrifice too much for promotion. I hope I'm part of a new trend, but I'm afraid that trend is only just beginning,' he says.

He is also aware that the Japanese system, which fosters a sort of blind respect for the party elders, is not good for developing leadership qualities.

"Economically, we are getting to be the leaders of the world. We can see the figures, GNP, trade balances. These figures tell us we are strong. But whether we can be political leaders of the world, we do not know. I do not think we know international politics very well," he says.

"In order for Japan to take a greater role, we should make more efforts, not at economic summits, but as Japanese Diet members to European politicians, meeting each other and exchanging ideas. We should work together to create an important role for Japan in the international arena.

"For peace and disarmament, I think we could put more effort into this. America and the Soviet Union have a lot of discussions but they should not do this themselves.

"We should convey our opinions to the US and the Soviet Union. We should speak louder," he says.

Japanese prime ministers, he said, should be able to stutia between the US and Soviet leaders. To do this, however, he says, Japan needs a strong leader with a vivid personality.

He predicts that for a while, Japan will not have a strong personality at its helm. "So our international role does not look so bright. But, if our politicians go abroad and speak on the international stage, we can increase our role."

Mr Hatoyama would like to make four or five foreign trips a year, but "for that, I need to be stronger in my constituency," he says.

His personal ambassadors in the meantime, are his two younger children, who are enrolled in schools in Portland, Oregon.

"They will be truly international," he says proudly.

Carla Rapoport

A first-hand inside view of Japan's civil service
Not an isolated entity

DEMORALISED civil servants of the world should be sent to work for a while in the Japanese administration. It is prestigious, it offers brilliant career prospects, and it is entirely managed by the ministries. However, employees work long hours.

The extent of Japan's success as a country is now well understood. It is also widely accepted that this success has been achieved with the backing of the highly professional and efficient civil service.

As a result of a recent secondment in the Japanese administration, I now understand a little better how and why the Japanese system works in many ways better than those in Western countries.

Many people still think of the Japanese bureaucracy as an all-powerful, but nearly invisible hand, organising things in minute detail through all kinds of devious means.

In fact, technical ministries like MITI are dominated by generalists, usually law graduates from the University of Tokyo who are not qualified to do any highly technical meddling in the way companies or other organisations operate.

That being said, and Japan being Japan, the viewpoint of the administration is never discarded lightly.

Also, the Japanese administration faces many of the same challenges confronting Western bureaucracies these days - such as deregulation and privatisation. The role of the Japanese administration is changing from one of power to one of influence. The economic ministries have lost not only regulatory powers but also financial muscle.

Meanwhile, the tremendous strengthening of the private sector has made companies less dependent on external capital, access to which the administration used to control, and facilitated their access to the now open financial markets for whatever needs they still have.

In my brief experience, the most striking characteristics of the way the Japanese administration works includes its intimate involvement in the real decision making process. Like any other administration, the Japanese one is not an isolated entity, detached from private concerns or political interests.

However, Japanese civil servants differ from their Western counterparts in making no claims

to being above the fray. They do not try to define their work as separate from these influences. Thus, discussions with pressure groups, considered shameful and therefore conducted clandestinely in some Western democracies, are, in Japan institutionalised.

This method of working explains why there is almost no anti-bureaucratic feeling in Japan; the administration's power has never been very technical.

The quality of information and the speed of its circulation has plummeted since the Japanese ministries. The Japanese view is that

Japanese administration has an intimate involvement in real decision-making processes.

information is a prerequisite for the mutual consent of all parties involved in a decision.

Japanese civil servants who have worked in international organisations with European colleagues say that they were surprised to discover that information was often circulated by the highest rank of the hierarchy only on a need-to-know basis. This difference of attitude is attributable to cultural factors and to fundamental differences in the way the systems work.

The Japanese administration works on a strict seniority system; one's assistant can never be an enemy or a competitor so there is no point in trying to block his access to information. Hoarding of information is also impeded by the physical proximity of officials in Japanese ministry offices - being seated within five feet of one another makes virtue a sort of necessity.

The personnel division in each ministry is very powerful. Some of the best and the brightest are supposed to go through this division at some point in their careers. Ministries think that their future depends in part on a personnel policy that will give a uniquely broad experience to its civil servants and make them very valuable on the "information market".

By the age of 40, a MITI civil servant may have had experience in working with the electronics industry, GATT affairs, export credit, small and medium size enterprises, the petroleum industry and research and development.

Between a third and a half and sometimes more than half of the students recruited in the best universities are sent, after three to five years, to study in the United States, France or the UK. As a result, the Japanese administration is one of the most "internationalised" in the world. Such broad training renders the individual an important and valuable source for information.

While the French administration's work relies heavily on written materials, the Japanese one depends mainly on oral communications. This is due to cultural factors, such as the importance of personal relations and technical ones and the absence of Japanese

options markets. Attempts to short-circuit this time-consuming process are usually very counterproductive.

There is no audit function in the Japanese administration other than a purely technical one. On the other hand, there are many committees whose only purpose is to bring forward new ideas. Reforms are proposed by people inside the administration. No one feels threatened by them and the responsibility is collective and people move frequently from one job to another.

This pattern is supported by scrap and build laws which require ministries to scrap equivalent numbers to scrap the process of creating new ones. The process of change is thus continuous, avoiding the need for, or fear of, any large scale overhaul which would threaten morale. There are no vested interests.

The result of all this may not be a perfect administration. The Japanese ministries have made mistakes, but like their counterparts elsewhere, but the system also produces visions and incentives. One does not find in the Japanese administration the anxiety that prevails in other administrations buffeted by the winds of antibureaucratic feeling and the tide of deregulation.

The best and the brightest are still entering the major ministries knowing that they will have less regulatory powers and will not have the option of jumping into the private sector at mid-career. But they are confident in the ability of their ministries to provide them with a challenging job and a future.

In Japan, everyone seems convinced that even for functions that are not basic to the state, the administration will go on serving a useful purpose. This might be due to the still prevailing feeling of vulnerability to foreign pressure.

It is certainly linked to the excellence of the civil servants and the ability they have demonstrated over the years of bringing about consensus. And consensus is the stuff that Japanese society is made of.

Philippe Altuzarra

The author, an official in the French Ministry of Finance, spent the first half of this year on secondment to the Japanese Government - three months in the Ministry of International Trade and Industry (MITI) and three months in the Ministry of Finance.

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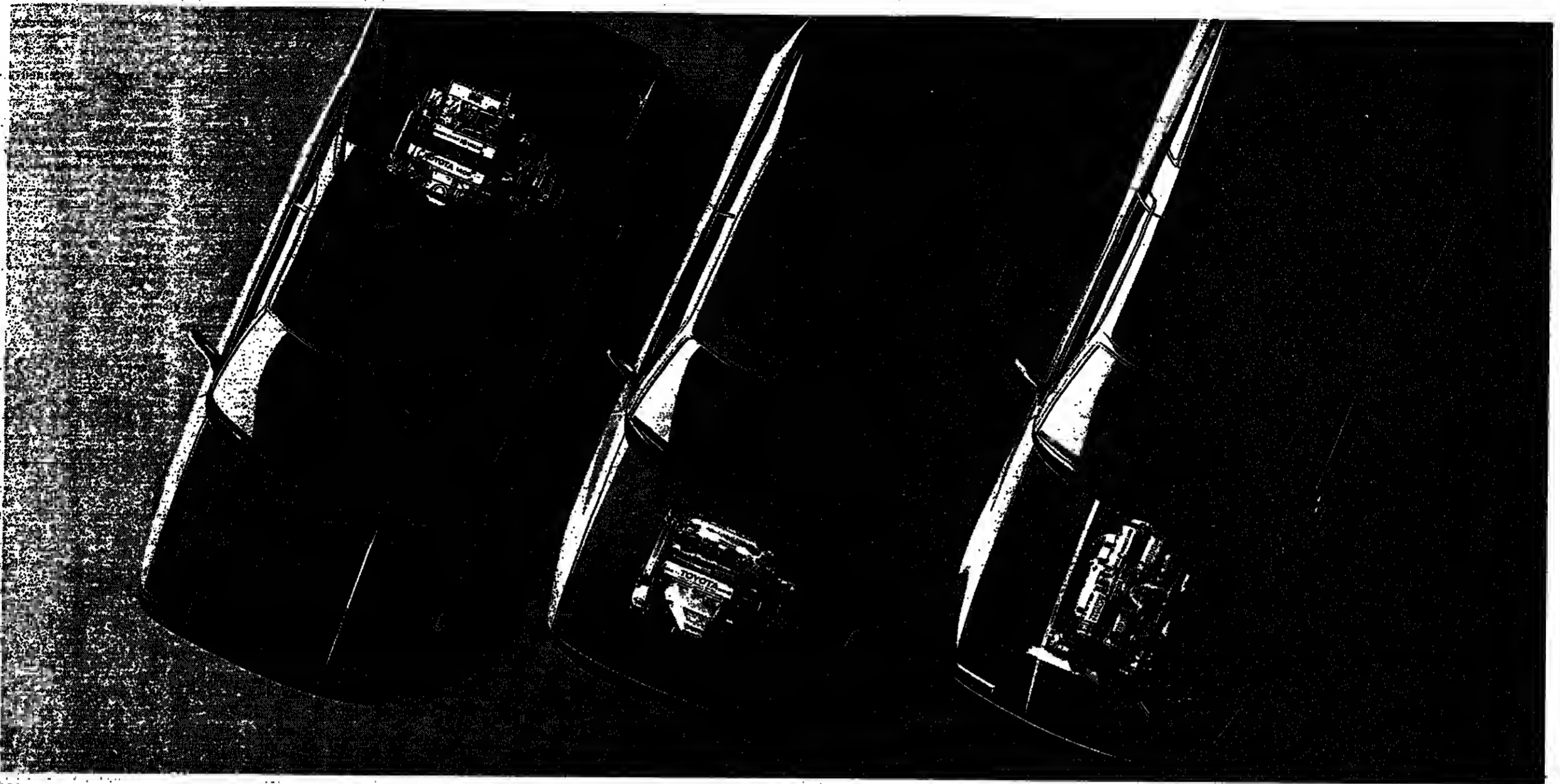
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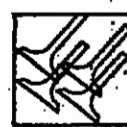
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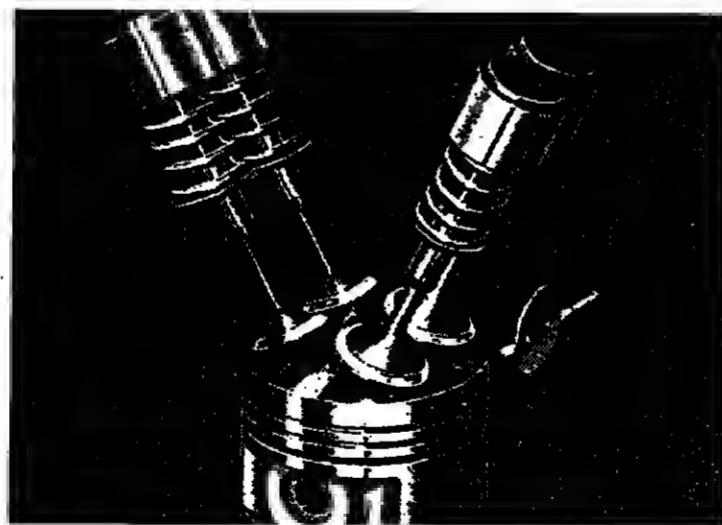
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124 hp, mid-engine two-seater sports car. The sleek, versatile fwd Celica — 16V sports coupe with 124 or 150 hp. And Toyota's new top-line Supra — a 3-litre GT with six cylinders, 24 valves and 204 hp. No racing car specialist could offer such a choice. It took the market leader, Toyota. The one to catch.

Specifications of pictured models may vary by country.

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JAPAN 4

Politics - breaking the mould

Risks in tax reform

IN LATE June, Japan's Prime Minister, Mr Noboru Takeshita, said that the fate of his administration hung on the success of his plan to carry out a fundamental overhaul of the country's tax system this year.

To analysts of politics in other democratic societies, there is nothing particularly surprising or unworthy about such a statement. Democratically-elected governments are supposed to rise and fall on the acceptability of their major policies to their people.



Noboru Takeshita: putting himself on the line

But in Japan, this declaration - which, as it happens, is an accurate one - is almost revolutionary. Japanese politics have been about many things in the post-war period, but almost never about policy.

Ever since the Liberal Democratic Party (LDP) put its vice grip on the reins of government in 1955, no administration has fallen over a major policy issue.

Today, however, no one doubts that the Takeshita administration has put its life on the line for tax reform. If it fails, Mr Takeshita will have to resign after scarcely more than a year in office. If it succeeds, he will almost certainly be awarded a second two-year term, will lead his party through the next parliamentary elections, and will be assured of a place among the country's most distinguished leaders.

Moreover, Mr Takeshita is by no means putting his prestige on the line for a sure thing. The outcome of the tax reform debate is far from certain. It has not been settled in the typical Japanese way in the smoke-filled rooms of Nagatacho, Tokyo's political quarter.

The opposition parties are all strongly opposed to it, and many special interest groups are fighting it tooth and nail. By all accounts, the debates on the reform in the Diet (Parliament), which begin in a few days and are expected to run for about three months, will be extraordinarily heated and unpredictable.

Is this situation an aberration, or is it an intimation that the post-war mould of Japanese politics is finally beginning to crumble? It would be a brave analyst who would make a firm prediction either way, but there are some interesting trends worth examining.

Japan's post-war politics have been based up to now on a coalition of business and farm interests, represented since 1955 by

build around the introduction of a 3 per cent consumption tax. Long famous for his consensus-building skills within the LDP, he has worked long and apparently effectively to win support within the party and to explain to the public the need for change.

By tradition, if all the opposition parties are opposed to a measure, the LDP does not try to use its majority to force through a piece of legislation. Thus, in a case like this one, the LDP's job is to try to pry one of the opposition parties away from the others.

In this instance, it is going after the Democratic Socialist Party (DSP), the third largest opposition grouping after the Japan Socialist Party and the Komeito (clean government party). The DSP has close links with some of the larger and more conservative trade unions in the steel, automotive and electronics industries.

DSP leaders are being reminded that these industries will benefit from the tax reform because the current commodity taxes on their products, which are very high, would be removed in favour of the 3 per cent consumption tax.

DSP leaders are now negotiating conditions with the LDP under which they might be prepared to withdraw their opposition to the tax reform legislation. If no deal can be reached, then the LDP will be in trouble.

It remains to be seen whether or not Mr Takeshita will have the audacity to break the mould and push through the reform without any opposition support. But some observers think he will, simply because he has nothing to lose.

The traditional response would be to shelve the tax reform, but that is not really an option. Next year, there must be elections to fill one third of the seats in the Upper House of the Diet and Mr Takeshita would like to take advantage of the opportunity to repeat Mr Nakasone's exploit in 1982 of holding Lower House elections at the same time.

Double elections tend to favour the ruling party, and a good result would secure Mr Takeshita's own reappointment by party leaders to a second term as party president and Prime Minister.

In any event, it would be politically difficult to be legislating tax reform in an election year, so postponement would mean putting it off for at least two years. And that would represent a humiliating defeat for Mr Takeshita. Thus, the stage is set for an unusually interesting autumn in Japanese politics.

Ian Rodger

THE PRESIDENT of one of Japan's largest motor companies wants to see lower commodity taxes on cars. How does he achieve it?

An American might assume that he buys himself the best possible lobbyist, gives him a lavish expense account, a large staff, a good address and waits for the results.

Someone from England might expect the carmaker to call in some MPs and push for a new piece of legislation on the matter, in consultation with Whitehall officials.

In Japan, no matter who you are, if you want something out of Government, it is you who does the running.

Mr Kaoru Yosano, 49, a long-serving LDP Diet member and director of the LDP's Commerce and Industry section, explains it this way: "First, you have to run around within Government. Your first stop is the Ministry for International Trade and Industry. There, you make them feel this change is necessary.

Then, you go to the Prime Minister. But he can't do anything. Then, the MITI Minister, Secretary General of the LDP and Finance Minister. These visits, all in person, not on the phone, are a prerequisite for the next manoeuvre.

Then, he explains, "You must find the correct route to approach Mr Sadao Yamamoto, head of the LDP tax commission. After this, you mobilise your juniors to talk to Mr Yamazaki's juniors, Vice-ministers and various Diet members. Then, there is an atmosphere that tax reform in this area must be made," he says.

Politics - getting things done

How the lobby works

Political donations, on a regular basis, also help smooth the way. "A small amount each year guarantees that you can speak to the person you want to see. But these donations must be made in times of peace, not war."

After this spade work is done, the businessman will turn to the appropriate zoku, a group of Diet members who specialise in the concerns of a particular industry or social sphere in co-operation with the corresponding bureaucratic agencies or ministries. These zoku members will then push the appropriate legislation through the Diet, assuming the atmosphere created by the car-makers is positive toward it.

"This is person-to-person persuasion which amounts to organisational persuasion. The trick is to throw as many seeds as possible," Mr Yosano explains.

As he speaks, his point is illustrated by the constant knocks on his door. He excuses himself, bows and accepts the card of another government Minister, industry chief or constituent, exchanges some brief greeting and then turns back to his guest.

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Underneath the bureaucracy still guides the operation, but politicians are gaining, says Mr Takeshita Inoguchi, a political science professor at Tokyo University and an authority on zoku.

Zoku politicians are most active in areas such as agriculture, construction, transport and communication, he says, as opposed to defence, education, legal affairs and finance where the bureaucratic hold is still pin-cer-tight. Both in recent battles to liberalise or reform agriculture, telecommunications and construction practices, the zoku convinced industry and, in many cases, the bureaucracy, of the need to change their ways.

"But the bureaucracy still has great power," Mr Inoguchi says. "Virtually all Bills come from bureaucracy because only they can get approval from all Ministries. The legal bureau can phrase a Bill and knock the whole thing out."

Politicians do not have highly educated aides to help them get around that problem. "Even former Prime Minister Yasuhiro Nakasone's battle against the bureaucracy failed," says Mr Inoguchi, in reference to Mr Nakasone's attempt to secure an overhaul of Japan's educational system and the country's complicated administrative procedures.

Mr Yosano points out that where zoku is staffed by respected politicians, it is usually very successful. Zoku fall into trouble when it is clear to everyone that the politicians are merely in the pocket of the industry, which was the case for the life insurance zoku, for example.

Even in the cases where the zoku is relatively powerful, such as in agriculture, certain changes take a very long time. "They (the agricultural zoku) know that the rice price is too high. They have cannot avoid liberalisation of this market."

"But the whole process, although it appears funny to you, is a process of persuasion of the farmers while, at the same time, saving the faces of the politicians," he says.

"They are fighting a war which they know very well they will lose, but the important thing is how they will lose," he says. This process can take a long time, but it keeps conflict to a minimum.

Is this system frustrating? "There used to be constant criticism that our political system was inefficient and foolish. But I'd like to know how our economy can continue to flourish with such a bad political system," Mr Yosano says with a smile.

Carla Rapoport

Civil service careers

An escalator to heaven

"AS ALWAYS our rule is up or out."

In his 19 years in the powerful Ministry of International Trade and Industry, Mr Tadakatsu Sano has ascended several flights on the Japanese civil service escalator.

So far, promotions based solely on seniority have brought him to his present position: *kazcho*, or director, of the exploration division of the Natural Resources and Energy Agency's petroleum department.

From here on, however, nothing is automatic. Nearing the top of the pyramid, there is room for fewer and fewer climbers on the stairs, and time ticks away inexorably.

There are no short cuts to the top civil service position in MITI - Vice-minister, comparable to a

Permanent Secretary - or to the 11 directors general immediately below him.

For his efforts so far, Mr Sano now occupies a desk in one corner of an office shared with his 13 staff. Small gun-metal desks are arranged in groups of four and six on the scuffed pine linoleum tiles.

Mr Sano's deputies sit at desks parallel to his, backs to the single wall of windows - with venetian blinds in varying states of disarray.

They face a door all but obscured by a bank of filing cabinets. A shared IBM PC is the only computer terminal in the room.

The pattern is repeated in rooms on this floor, on other floors and in other ministries throughout Kasumigaseki, Tokyo's Whitehall. Apart from

two postings to Paris, Mr Sano has worked throughout his career in just such an office, either in this building or in MITI's other block across the car park.

Like other civil servants, he has slowly moved away from the most junior positions near the door. Only at the next grade, *buchō*, director of a department, could Mr Sano expect to have an office of his own. That is six or seven years away, a minimum of 25 years after his joining MITI and no more than eight years before his enforced retirement.

In the close humidity of a rainy season which has not yet lived up to its name, Mr Sano and his staff are working in shirtsleeves. Some have rolled up their sleeves and occasionally disturb the warm air with a wave of paper fans, on one of which is printed

postal morning glories.

On many days, they would be processing applications and answering queries about oil and natural gas exploration both at home and abroad.

Mr Sano himself would receive visitors both from elsewhere in MITI and from the companies seeking his advice. On this day, however, he and his staff are more concerned with what he describes as "inner business."

"Every day is completely different - you cannot say any day is ordinary," says Mr Sano. However, this day is perhaps less ordinary than most. Two days previously, there had been a major reshuffle within MITI. No fewer than one-third of the Ministry's 2,220 staff had changed jobs

Continued on page 5



Happiness:

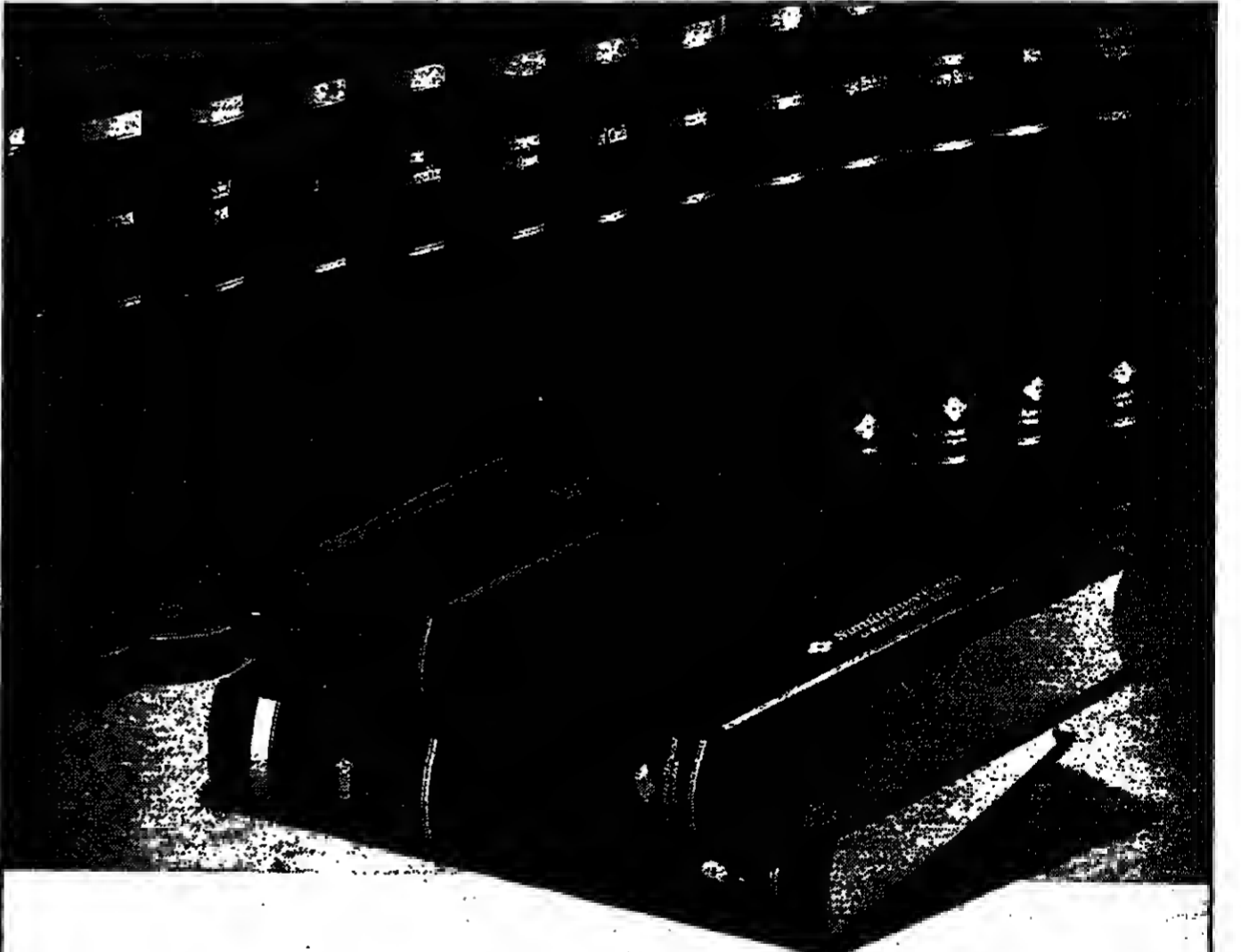
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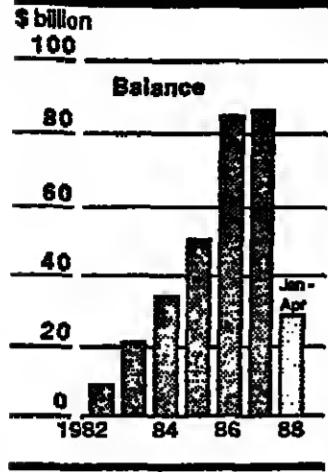
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Current account



"FOR THE first time Japan can say that it is implementing the ideal pattern of growth and adjustment as a surplus economy," says Mr Takeshi Ohta, Deputy Governor of the Bank of Japan, underlining a new sense of achievement among Japanese policymakers about their management of the economy.

For once, Japan has managed to grow its way out of trouble, not by stimulating exports but by

pumping up demand in its own domestic market.

Spurred by surging domestic demand, economic growth in the first quarter of this year soared to an annualised rate of 11.3 per cent, the best quarterly performance for 11 years and a far cry from the recession that seemed to be staring Japan in the face a year ago in the wake of the rapidly rising Yen.

Behind this headline figure, however, are two lingering worries: first that runaway growth could rekindle inflation; and second, that the impact of high growth on Japan's large trade surplus has so far been disappointingly modest.

So far this year, Japan's economic performance has defied the expectations of even the most optimistic pundits who saw domestic demand begin to take off in the second half of 1987 on the back of an easy monetary policy, rising stock market and a boom in housing starts.

This had set the economy on an upward course even before the ¥6,000bn emergency refractionary package announced by the government last Autumn which helped to fuel consumer confidence further.

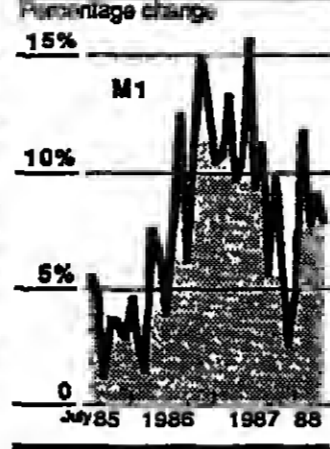
Mr Ohta says there are four main reasons for Japan's better

than expected performance: domestic price stability which saw consumer prices rise by only 0.5 per cent in the fiscal year to end March; relative stability of exchange rates; low raw material import prices brought about by the high value of the Yen; and the wealth effect caused by rising prices of financial assets.

Beyond this, however, is the psychological factor of confidence which has made the surging growth rate a self-fulfilling prophecy. "I'm convinced that a key to the recovery of confidence was the government decision to undertake to stimulate spending rather than the spending itself," says Ms Elizabeth Saccante, senior economist at Citicorp Strategic Vickers.

According to the Economic Planning Agency, one of the main forces behind the fast rate of growth late last year, housing starts, has shown signs of softening. But consumer spending continues very buoyant with heavy

Money supply



demand for consumer durables even at the lower quality end of the market spurred by an influx of cheap imports from neighbouring Asian countries.

Meanwhile industry has begun to invest in new plant and equipment to meet this new found demand. According to the Bank of Japan business plans to raise capital investment by 18.6 per cent this year, something which should sustain the recovery into later quarters.

For fiscal 1988 which ends in March next year, the government is forecasting a growth rate of 8.5 per cent. In the light of current performance most economists say this now looks too low, and estimates are beginning to come in around the 5 per cent mark. But the general consensus in Tokyo is that the growth rate will begin to slow as the year wears on.

Among the reasons advanced for this by Mr Kazuki Harada, Chief economist of the Sanwa Bank are the slowdown in housing starts and the fact that the government will not need to repeat its emergency spending programme in 1988. Others are also worried about inflation.

Though the Bank of Japan professes to be unconcerned about inflation, many see it being forced to tighten monetary conditions slightly later in the year. "They will do what is known in the US as 'snugging,'" says Mr Junichi Nishiwaki, Chief Economist of Mitsubishi Bank, which means nudging money market rates gently upwards.

The key M2 money supply indicator which includes certificates of deposit grew by 11.4 per cent in May, below its peak rates of around 18 per cent in the final quarter of 1987, but still a rate that many consider to be on the high side.

Coupled with recent signs of rising international commodity prices, particularly for metals and foodstuffs, this is likely to push consumer prices slightly higher. The acceleration in inflation is likely to be modest, however, as wages are still growing only slowly.

Japan's unemployment rate is

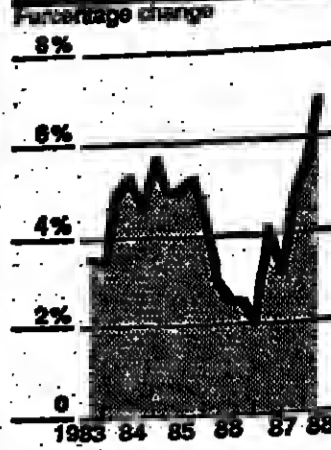
a low 2.6 per cent, but there is a labour mismatch between some older industries such as shipbuilding which have been forced to reduce their workforce and newer services sector industries where labour is in short supply. Overall wage increases agreed in the last spring round amounted to an average of some 4.4 per cent compared with 8.5 per cent in 1987.

Meanwhile the trade surplus continues high. Though imports have been growing fast, particularly from the newly industrialised Asian economies, export volumes have shown signs of recovering.

One reason for this is the appreciation in the currencies of Taiwan and South Korea this year which has restored some competitiveness to Japanese exporters. Another is exports of plant, equipment and parts by Japanese companies to their newly formed production units abroad. Though the development of foreign manufacturing should eventually help reduce Japan's trade surplus, the initial effect on the balance of payments has been positive.

The Sanwa Bank's Mr Harada says he expects the trade surplus to drop only modestly in the current fiscal year to around \$80bn

GNP



from \$90bn in fiscal 1987. The tax return planned by the ruling Liberal Democratic Party will not change much in this regard. Though it involves a ¥5,600bn cut in personal tax, the revenue will be recouped by a 3 per cent consumption tax.

If the changes go through they could initially stimulate the economy even further since the tax cuts will be introduced before the consumption tax becomes effective.

Peter Montagnon

Elegant descent



Tadeokatsu Sano: climbing the escalator

Continued from page 4

all in one day with no advance notice.

The rotation itself was unremarkable; each civil servant is moved every two years on average throughout his or her career. The scale of the changes, however, had been surprising, as was the fact that the agency's director-general, his deputy and heads of all three departments - petroleum, coal mining and public utilities - had all been moved at one time.

Amid all this movement it was a matter of coincidence that Mr Sano's division - 11 men and two women - had been unchanged. Usually no more than two months pass without exactly the same complement. Mr Sano himself had been *kacho* of this department for only one year, so a move this time would have been unexpected.

If a new staff member had been assigned, Mr Sano would have had no say in his or her selection. The most discretion allowed to him by the all-powerful personnel department would have been to have a hand in drawing up the job specification.

There is also no question of applications being invited for vacancies: "We do not like to leave any posts vacant," Mr Sano explains.

One reason for the extent of the recent reshuffle was the retirement of Miti's Vice-minister. After 33 years in the civil service, he had to go: there are no exceptions. Normally, the retiring Vice-minister will go to a second career, through a process known by the elegant term *amakudari*, meaning descent from heaven.

He will go either to a top position in a state enterprise or to a slightly less senior job in a private sector company (for the protocol of seniority must be recognised even for figures of this stature) with the unspoken promise of preferment to come.

Because of the senior staff changes, Mr Sano's section was busily engaged last month in preparing written reports about the division's activity for the new superiors. He expected at any time to be summoned by the *bucho* to give a full statement of affairs.

Although the new *bucho* would be a 25-year veteran of Miti, there was no guarantee - even under the rotation system - that he would have had any first-hand administrative experience of petroleum or even natural resources and energy. Since joining Miti in 1963, Mr Sano has had 11 different jobs, for periods ranging from nine months to three years.

After his initial assignment to the International Trade Policy Bureau, he was seconded for 18 months to the Organisation for Economic Co-operation and Development secretariat in Paris. Such secondments - and similar graduate study sabbaticals - are viewed as normal in terms of career progression. Mr Sano returned from Paris as a *kakari-cho* or assistant to the deputy director, in the heavy industry bureau.

The title recognised only that he, as a "first-rank" entrant based on his university examinations, had been with Miti for three years. The "first-rank" are the elite stream of Miti, comprising less than 5 per cent of its total staff; only they have any chance of advancing beyond *kacho* at any time in their career.

A second-rank entrant, for example, is likely to take 10 years simply to reach *kakari-cho*. As a law graduate of Kyoto University, Mr Sano is also in a small minority among the Miti first-rankers - of which 90 per cent graduate from Tokyo University.

Mr Sano subsequently became *kacho-koso*, deputy director, first in the mining division and then in the West European division of the trade policy bureau, the iron and steel division of heavy industries, the general co-ordination division of the trade administration bureau, and finally back to a general co-ordinating role in the policy bureau.

In the spring of 1983, after about 14 years in Miti, he was promoted to *kacho*, with initial responsibility both for the space industry and for "venture business" - the promotion of new industries.

Before his current role, he spent three years attached to the Japan External Trade Organisation (*Jetro*) in Paris. Mr Sano and his wife, who works for a clothing company, have no children, so she was able to accompany him to Europe without their worrying about disruptive effects on education, a factor which often makes such postings unpopular.

"I can be an actor if you want to make a movie," Mr Sano replies when a photographer suggests that he lean over with his hands on the desk of one of his staff, to confer in the conventional pose of a Western manager. Far better, it is decided, to show him as he actually works: one of Mr Sano's four deputies comes to the boss's desk for a briefing.

In any division, the deputies bear the brunt of long hours, working until midnight if necessary to get the work done. As *kacho*, Mr Sano usually comes to the office about 9am, and leaves no later than 6.30pm.

That is not to say that he goes straight home, even though he is fortunate enough to live in the trendy central Tokyo district of Akasaka - thus avoiding the three hours' daily commuting faced by some of his junior staff.

He goes out most evenings, sometimes to dine with company representatives - but only to discuss the most general of policies - sometimes with a study group.

On this evening, he will attend a dinner in honour of a retired director-general of one of Miti's agencies. He works perhaps one Saturday a month, fewer than most civil servants, but never schedules meetings which would force other staff to attend.

The corporate contacts may turn out to be important in later years, even though Mr Sano says: "I never thought of working in a private company."

Along with the looser reins of seniority in the financial sector - where a chief executive can be as young as 45 and expect to stay in office more than the two years, on average, which a Vice-minister serves before his retirement - the monetary factor may make it harder for Miti and other Ministries to continue to attract Japan's best and brightest.

Mr Sano notes that in his age group, peers who went into the financial sector may now be making three to four times the salary of their civil service counterparts. Even the most well-aimed descent from heaven will not be able to make up that much lost ground.

Clay Harris



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JAPAN 6

Financial markets

Confident shift in power

FOREIGN bankers passing through Tokyo today can hardly believe the extent to which Japan's financial markets have changed in the course of a year. Last summer it was possible to argue that the apparent strength of Japanese financial companies as they spread around the world was based on weak foundations. The truth would come out, it was said, once the bubble burst in the Japanese equity and real estate markets.

But the events of last October have put paid to this view. Even senior Japanese fund managers had their doubts at the height of the crisis about whether the Tokyo market would come out of the global crash unscathed.

But the fact that it did has reinforced the self-confidence of Japanese financial companies to an unprecedented extent.

The shift in financial power is symbolised by the fact that the capitalisation of the Tokyo stock market, which was already bigger than New York before the crash, is now 50 per cent larger. The results of this transformation are becoming apparent across the whole range of Japan's relations with the rest of the world - in politics, trade and finance.

Japan has become more confident in putting forward solutions to financial problems - even including those of the US, which was once regarded in Japan as being almost beyond criticism. Mr Toyoo Gyohden, the Vice-minister in charge of international affairs at the Ministry of Finance, encapsulated the change in mood in a speech in New York a few weeks ago when he revealed that Japan had advised the US to consider issuing Reagan bonds - instruments denominated in yen.

Even a year ago, many Japanese, let alone Americans, would have seen such advice as presumptuous. There is nothing new about the reasons behind this growth in Japan's influence in financial affairs - it stems from the huge reserves Japan has amassed from her export surpluses with the rest of the industrialised world.

But the crash has made clear that the way Japan invests those surpluses has become the dominant long-term issue in today's financial markets. Continuing current account surpluses mean that Japan will have huge

amounts of capital available for investment abroad.

Last year, overseas portfolio investment totalled \$90bn, down on 1986's \$100bn as a result of Black Monday, but far ahead of the \$44bn recorded in 1985. This is why the competition for access to Japan's financial system is so ferocious.

In 1987 attention focussed firmly on the efforts of foreign securities companies to win membership of the Tokyo Stock Exchange. With most of these companies now trading, the biggest battles are being fought between different kinds of Japanese companies - between banks, stockbrokers, life insurance companies and the rest.

Japanese companies are currently concentrating on the home market for several reasons. The first is a natural reaction to Black Monday, which affected other markets more than Tokyo.

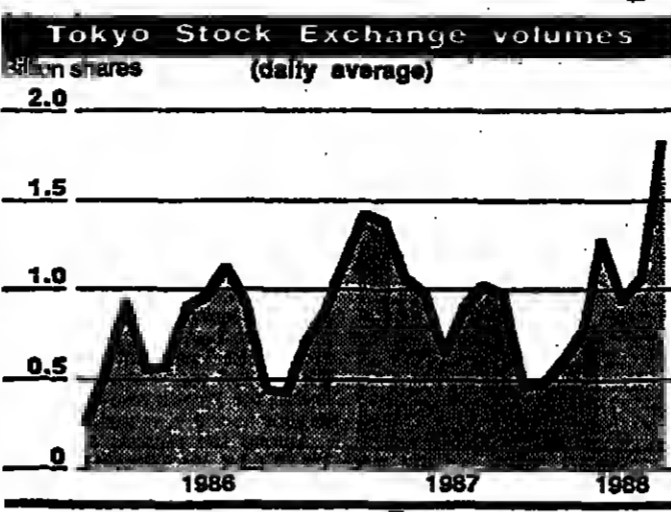
Next is a belief that, for banks in particular, it is necessary to consolidate some of the headlong overseas growth of previous years. Finally, deregulation is opening fresh opportunities to attack new markets inside Japan.

The importance of deregulation in opening new fields is graphically illustrated by the ¥3 trillion commercial paper market which was launched only last November.

Even this is dwarfed by the abolition in April of *morogyu* - a system of 122 breaks on most kinds of small deposit account.

Funds have flowed in huge amounts into higher-yielding alternatives including life insurance policies and investment trusts. The net assets of investment trusts, for example, grew in the year to March at 33.5 per cent - or nearly four times faster than the overall growth in savings.

Japanese financial companies also have high hopes of the next big measure on the deregulation agenda - the establishment of new markets in futures and



Next is a belief that, for banks in particular, it is necessary to consolidate some of the headlong overseas growth of previous years. Finally, deregulation is opening fresh opportunities to attack new markets inside Japan.

options. Reform is putting irresistible pressure on the whole post-war structure of the Japanese financial community.

One sea-change has already mostly occurred: the admission of foreigners into markets where they were previously forbidden. Now the second is under way: the dismantling of barriers dividing Japanese companies into different market sectors.

The key issue is the separation of banks from securities companies. The banks argue that the worldwide trend towards securitisation threatens their livelihood and want more access to the securities market.

They also claim that they need access to new sources of profit to improve overall performance to meet proposed new international standards on the capital adequacy of banks. Meanwhile, the stockbroking companies, which have made huge profits in recent years, are defending their lucrative territory.

The legal barrier - Article 65 of the Securities and Exchange Act, which is closely modelled on the American Glass Steagall Act - is coming under increased pressure. The banks, with tact

approval from the Ministry of Finance, create overseas securities subsidiaries and have tight-sized links with medium-sized Tokyo securities companies.

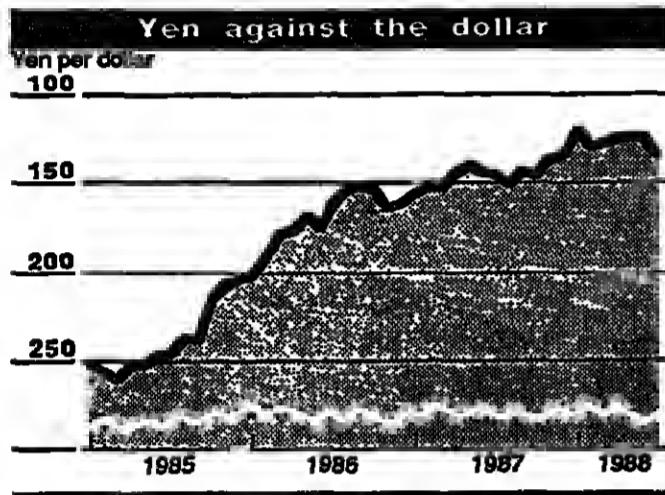
Meanwhile, the Big Four stockbrokers have opened banking subsidiaries in London.

The Finance Ministry is also agonising over the future of the Post Office, which holds ¥127 trillion on deposit, one third of Japanese personal savings. While tax-breaks on these funds have been abolished, a host of other regulatory issues remain unresolved.

For foreign companies in Tokyo problems of access remain - notably the failure of foreign companies to increase their share of newly-issued government bonds above a paltry 2.5 per cent. Also BZW, a subsidiary of Barclays Bank and James Capel, owned by Hongkong and Shanghai Bank, have yet to win stock exchange seats.

But the real battle for overseas companies in Tokyo now lies in competing with their huge Japanese rivals.

Stefan Wagstyl



"EVERY time we have a crisis, we challenge it and solve the problem," says Mr Hiroko Okumura, Chief Economist of NRI & NCC, the research institute owned by Nomura Securities.

It is a remark born not so much of arrogance but of sober fact. Since the early 1970s the Japanese economy has managed to survive and prosper through the traumas of floating exchange rate and successive oil shocks.

Now its companies are engaged in solving another problem that many thought would leave them floundering in a sea of red ink - adjustment to a surge in value of the Yen that has seen the dollar plunge from a peak of over ¥160 in 1985 to only about ¥125 today.

Dealing with this crisis has not been easy and, according to Mr Masanobu Ikeda, managing director of the Victor Company of Japan (JVC), it has led Japanese companies into unusually keen competition with each other on both international and domestic markets.

There are three common strands to the strategy most companies have adopted to deal with the problem. They have stepped up spending on research and development to maintain their technological lead, produced even more high-quality goods, and transferred some production abroad besides buying some com-

ponents abroad.

They have also rationalised the manufacturing process within Japan to cut costs.

At Canon, the camera and business machine company, foreign sales account for some 70 per cent of total consolidated turnover. According to Mr Hideharu Takemoto, one of its managing directors, 60 per cent of these sales are in areas with dollar-based currencies.

The company began its response to the rising Yen by raising prices in the US market, but with the demand for cameras there now flattening out, it is also moving some production abroad.

It doubled its photocopier production in Glenside, West Germany and is buying more cameras and camera components from nearby Asian countries such as Taiwan. The company plans this year to move its typewriter business to the US.

At the same time it is developing new lines within Japan such as the laser beam printer, a product whose market is doubling in size every year.

"This is profitable even despite the high Yen because it is a product with high added value," Mr

Takemoto says.

The process of adjustment has been a painful one for both the company and its employees which Mr Takemoto says it regards as its family.

"Maybe we can't keep the lifetime employment system in Japan," he says, but still Canon did not fire a single employee in the course of its rationalisation programme, something which he believes has helped maintain morale.

Instead, starting with the directors and top management, they took salary cuts. Directors and senior managers had their remuneration cut by between 10 and 30 per cent, though the cuts have now been restored with the recovery of profitability.

Shopfloor employees saw their bonuses cut by 15 per cent and their overtime by half.

For the longer term, Canon is trying to develop as a global company with a worldwide establishment integrated into local markets. It believes this should protect it from shocks in any one area or market.

For JVC, which concentrates on up-market audio-visual related products, a main aspect of the solution to the problem was prod-

uct development. "One of the most important measures was the development of new products which are the key to JVC as a manufacturer," Mr Ikeda says.

Already this approach has led to the launch of a compact video camera and to a high definition or Super-VHS video recording system. JVC has also established a new central corporate research laboratory at Kurthama, about 80km south of Tokyo.

Meanwhile, it has also been able to take advantage of the surging demand on the domestic market. Last year domestic sales accounted for 53 per cent of total sales, more than double the ratio of 29 per cent recorded in 1981.

Like Canon, JVC has not had to lay off its workers as a result of the crisis, but its workforce has been reduced through natural wastage. Its overseas production has been growing and in Yen terms now accounts for 15 per cent of total output compared with 11.5 per cent in 1986. By current Japanese standards this is a relatively low proportion but it reflects the fact that JVC concentrates on the high quality end of the consumer electronics market.

It has been able to cut costs by

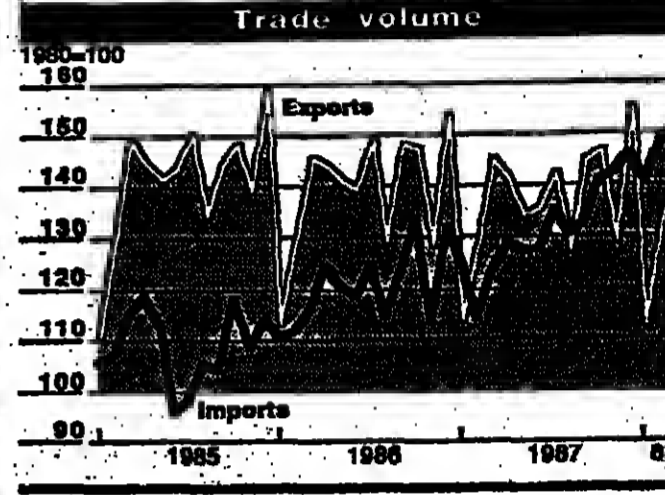
changing designs. "We make new products with both fewer parts and components so we save on components and labour," Mr Ikeda says.

Groups of JVC workers get together and break down products to see how unnecessary parts can be eliminated. This has led to cost-saving innovation in the manufacturing process, he adds.

At management level, the company has reorganised itself to make better use of its workforce. For example, the general audio division, which has increasingly shifted its production abroad, was amalgamated into its hi-fi division in an effort to curb the trend towards what Japanese executives call the "hollowing out" of the domestic company.

The general managers of the main product divisions have also been given seats on the board with their own responsibility for technology, organisation and sales. This gives them a broader view of company management and a greater sense of responsibility, Mr Ikeda says.

Nonetheless, the trend for most Japanese companies is for a greater degree of internationalisation. Production of established



products is being increasingly shifted abroad and research and development is being stepped up at home to create a new generation of products that can be manufactured, initially at least, in Japan.

Once regarded as a nation of copiers, Japanese business executives know that they have to retain a technological lead to survive.

The world in which they seek to survive is increasingly a global one in which they see themselves as an integral part of foreign markets. Japanese companies which manufacture in Europe no longer want their products to be thought of as Japanese, but as

European.

Canon officials say they are now much less worried about the strength of the Yen or about classic forms of protectionism than about the possibility of widespread restrictions on foreign investment.

The company's policy of globalisation would be severely hurt by a proliferation of such restrictions which might force it to cede majority control to joint venture partners, impose stringent local content requirements, assign a specific proportion of production to export and limit the sourcing of plant and equipment.

Peter Montagnon



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JAPAN 7

Developments in Japan's seventh largest city

Bold plans in Kobe

WHEN THE city of Kobe wanted to build a subway line to open up its rural hinterland for an ambitious new town development, it had to gain Transport Ministry approval at three separate stages. The process took nearly four years.

Even now, if Kobe - Japan's seventh largest city with a population of 1.47m - wants to raise fares, the ministry in Tokyo must approve the move. The pattern is repeated throughout Japan for all but the most routine decisions by local governments.

This relationship reflects both the centralising tradition in Japan and financial realities. Kobe financed the ¥250m construction cost of the subway itself, but it receives an annual operating subsidy of ¥9.9bn. Even so, the subway lost ¥10bn last year.

Overall, Japanese local authorities - prefectures, cities, wards and villages - account for 70 per cent of government spending but collect only 30 per cent of revenue. They must rely for the balance on transfer payments and direct subsidies from the central government. And strings - ministerial approval at each step - are always attached.

As a result, liaison is a full-time job. Kobe keeps six staff permanently stationed in Tokyo, providing a dormitory for them in that high-cost city, to look after its interests with central government. Mr Taisuo Miyazaki, Kobe's 78-year-old Mayor, visits Tokyo to lobby an average of once a week.

However, local authorities are not cowed by the power at the centre. They accept consultation as necessary to co-ordinate plan-

ning throughout the country and are not slow to act, in concert or competing with each other, to grab what money is going. They are also working from a position of strength.

In a pointed reference to the fate of the Greater London Council, Mr Fumio Arai of the Tokyo Metropolitan Government says: "In Japan, each local government is guaranteed by the Constitution and cannot be demolished." But local authorities are keeping a wary eye on the Takeshita Government's tax reform package.

If proposals for a national consumption tax go through, the result will be a reduction of direct taxes. These include the residents tax, a graduated local levy on income, on which local bodies rely for much of their revenue.

The new consumption tax might also suppress existing local indirect levies, such as the 10 per cent tax on meals costing more than ¥2,500. In Tokyo, which relies on direct state subsidies for only ¥380bn of its ¥9,530bn annual budget.

Mr Arai says: "In the past we did not depend on the central government. We are trying to maintain that status under tax reform."

But local authorities are already in the front line in another way. When national government reduces services for

financial reasons, it rarely meets serious opposition. However, according to Mr Kiyoyuki Kanemitsu, chief of Kobe's international division: "In local areas we have to face citizens in a direct way and it's almost impossible to cut down services. The balance tends to become the burden of local government."

For example, Kobe already has had to pick up an extra ¥7.5bn in costs created by the central government's decision to reduce its funding of certain welfare benefits from 90 per cent to 80 per cent.

Demand is acute in the field of services for the handicapped and senior citizens, especially the bedridden, says Mr Kazutoshi Sasayama, Kobe's Deputy Mayor. "To continue to provide better services for less-privileged people, we have to maintain the strength of the economy."

Like Tokyo, however, Kobe is determined to minimise its dependence on subsidies. "The Mayor often says that Kobe is something like Kobe City Inc because we carry on so many profit-related functions," says Mr Kanemitsu.

Not only did it make a ¥85m profit on the Portopia 81 exposition which inaugurated the 436-hectare multi-use Port Island reclaimed from the harbour, Kobe also profitably produces its own wines, mineral water and

cheese. The latter enterprises also have other purposes, of course: to encourage agriculture in the rural parts of the sprawling city, and to provide educational and tourist opportunities.

Kobe took over a failing city-centre hotel and runs it at a profit; money also flows in from shopping precincts, a fishing park and three municipal golf courses.

The contribution of all these activities to the ¥1,750bn annual budget is still very small, but it indicates the city's open-minded approach to business opportunities.

Kobe has also pioneered certain forms of public-private sector co-operation such as the Port Liner transit system which connects Port Island to the city centre. A similar system is planned for Rokko Island, another reclamation project nearing completion in the harbour.

On this island, Kobe has sold the 131 hectares not involved in port facilities to Sumitomo Trust and Banking, which will oversee commercial and residential development.

Another joint project with the private sector is Harbor Land, where housing and commercial facilities are to be built in the Higashi Kawasaki district on the 23 hectare waterfront site of a railway marshalling yard.

Per capita, Kobe spends considerably more than the national average for local authorities, and it has been an early and heavy visitor to the Eurobond market. Each issue must be approved by the Finance Ministry under "temporary" powers taken more than 30 years ago.

According to Mr Sasayama: "Finance is a big factor in strengthening our negotiating position with the national government."

Kobe's bonds, however, are always linked to specific projects such as the extension of sewerage to 94 per cent of the city, a high proportion compared with the 41 per cent average around Japan's inland sea.

"The sewage system will be used for many generations to come and they should bear part of the cost," Mr Kanemitsu says.

However, Kobe strives to keep debt service costs to less than 20 per cent of its general account; in the most recent year the figure was just over 15 per cent.

Kobe also succeeds in winning more than its share of available subsidies by consistently exceeding national norms for public services. For example, it runs far more than the average number of municipal nursery schools. Still, the most important factor for a city like Kobe is to know where the money lies - and how to convince ministries in Tokyo to give priority to its plans.

"We have earned somewhat of a reputation in the Ministry of Construction," says Deputy Mayor Sasayama. "They say we are very well informed about all the schemes available."

Clay Harris

Busy port builds upon its industrial strengths

Seeking to diversify

FOR MORE than a century, Kobe has looked to the sea for its prosperity. An international entrepot since 1868, it competes with Rotterdam for the title of the world's busiest container port.

Moreover, two of Japan's leading shipbuilders have large dockyards at Kobe, its fifth largest steelmaker is based here, and the port handles a heavy two-way traffic in processed foods.

But despite heavy investment in modern facilities, volume has fallen in recent years because of competition from other Asian ports; and the effects of the higher yen. The industries which crowd the Kobe waterfront have not been immune to the same influences.

Although employment in the city rose by nearly 8 per cent to more than 702,000 between 1981 and 1986, manufacturing jobs declined by 8,000 over the same period.

Kobe now faces the problem of how to build on its strengths when so many factors are outside its control.

The city's three largest private sector employers, Kobe Steel, Mitsubishi Heavy Industries and Kawasaki Heavy Industries, now have a total local workforce of only 36,000 - half the level of 20 years ago.

This reflects the hard times which have affected their main businesses in Kobe: steel in the first case and shipbuilding for the other two.

At their adjoining shipyards in the Hyogo district of Kobe, the effects of rationalisation at Kawasaki and Mitsubishi are evident. Shipbuilding now accounts for only 20 per cent of their local operations.

Kawasaki is building submarines for the Japanese navy, but

has stopped all other shipbuilding activity except for repair and maintenance. Taking up the slack is manufacture of railway rolling stock - Kawasaki and Kobe Steel collaborated on the carriages both for the Port Liner.

Kobe is renowned for steel and shipbuilding

transit system and Kobe's new subway line which was completed last year.

Mitsubishi, meanwhile, is still building research subs and ocean liners but it is devoting more space to nuclear generator components and mobile seating systems for convention halls.

Kobe Steel - which also maintains a headquarters in Tokyo, where the top management is based - has rationalised its mills on two sites, at Kobe and nearby Katagawa. Nationally, Kobe Steel is likely to continue the diversification which means that iron and steel account for less than half of its turnover.

Local services industries are also diversifying. Daiichi, the retailing giant, will operate one of the most striking landmarks on the city's skyline - a new hotel nearing completion near the "bullet line" railway station.

The city's official policy is to let the large companies take care of their own problems, although it consults with them regularly.

Kobe concentrates its efforts and its resources on small and medium-sized companies to which it offers special low-interest loans.

It has established a number of mini-industrial parks both in redeveloped inner-city areas and at greenfield sites on the outskirts. These focus on a single industry, for example, a furniture park in the west of the city.

The highest profile "magnet" is Fashion Town on Port Island, where 38 companies - making apparel, jewellery and other "lifestyle" products - have been attracted to locate offices.

National policy views Kobe as a "neutral" site: industry officially is neither to be encouraged to leave, as it is from Tokyo, Osaka and Nagoya, nor to move in - as it is for large, underdeveloped sections of the country.

Nevertheless, financial incentives are available to companies choosing to locate in the new Seishin industrial park and the

Ambitious new town project eases overcrowding

The mountain movers

MANY men dream of moving mountains, but Mr Masaru Kimura sees it happening before his eyes every day.

From a dusty bluff only 12km from Kobe city centre, Mr Kimura can survey much of an ambitious new town project which is intended to house more than 100,000 people - and employ perhaps half that number - within a decade.

Within his gaze is not only the Academic Town Development for which he is directly responsible but also a distribution centre and sports park containing a baseball stadium and the athletics arena where the 1985 World University Games were held.

Out of sight over the next range of hills, and the next one after that, are housing and industrial estates in the making - Kobe's answer to overcrowding along a narrow strip of coast between the mountains and Osaka Bay. But the most amazing part of this project would be visible only to Snapperman, although the dump trucks crawling over the landscape give some hint of its presence.

Every day, 60,000 tons of stone and gravel are moved down to the sea on an underground conveyor system. To the left, Mr Kimura points out the huge pit which is part of the extension of this tunnel farther into the mountains. The spoil created by the inland development is then transported by barge to Rokko Island, the second artificial island to be created in the centre of Kobe's harbour.

In the 1950s, Kobe realised it needed waterfront land to modernise its port, and land in the mountainous hinterland to create new housing and employment. For three decades, Kobe's "moving the mountains to the sea" project - the first such in the world - has killed two birds with one stone.

More than 200m cubic metres of fill material has been moved in this way, not only to create the

two islands, but also to extend other port and industrial facilities along the waterfront. Reclamation alone has cost ¥810bn since 1957.

But Kobe has not finished yet. Once Rokko Island is complete, it will begin the second phase of Port Island. And after that, it has its eyes on building an airport on yet another new island, to be built in the bay.

In the current financial year, Kobe plans to spend ¥321.6bn on public works, more than 20 per cent of the city's entire budget. Based on the record of the past five years, central government will pick up about 30 per cent of Kobe's public works bill through subsidies.

So far, the crown jewel of Kobe's building spree is Port Island, a 436 hectare development completed in 1981 and inaugurated later that year with the Portopia 81 Exposition.

The scheme was proposed in 1964 to provide a new terminal for container ships without interfering with existing port operations. Flanked by the container cranes, however, is a diverse but carefully planned urban community, including Kobe's international conference centre, museums and schools, offices for several dozen fashion companies, and housing and facilities for 15,000 - eventually 20,000 - people.

Before this project was completed, however, construction had begun on a sibling Rokko Island - to accommodate the larger container vessels whose draughts would begin to test the 12metre depth of the Port Island berths.

Kobe's public works programme is part of a comprehensive development plan agreed both with Hyogo prefecture, of which it is the capital, and with national ministries. Such plans are required for all local authorities in Japan, but Kobe appears to take a much more anticipatory approach than many of its coun-

terparts.

In part, this is because it has to come to terms with its topography. Until recent years, most development - and in of the population - was on the coastal strip overlooked by the scenic Mt Rokko. To open up the interior, Kobe has built a number of toll tunnels through this massif, taking advantage of generous government subsidies.

According to Mr Isao Mizohashi, planning chief in the mayor's office, Kobe's timing of applications for housing developments in the rural north-west part of the city was also fortunate, coinciding with government promotion of that sector.

Although all industrial parks are city-planned and city-run, there is also a role in the public works programme for the private sector, which carries out most of the construction. Looking ahead a decade - as its planners always are - the main hurdle Kobe needs to clear in negotiations with Tokyo is the dream of its own airport.

At present, the nearest facility, Osaka International, is 90 minutes away by road, and even the planned Kansai airport to be built in Osaka Bay - using techniques pioneered by Kobe will not be that convenient. Moreover, for Kobe's pride, it is still too identified with Osaka, the larger neighbour and rival.

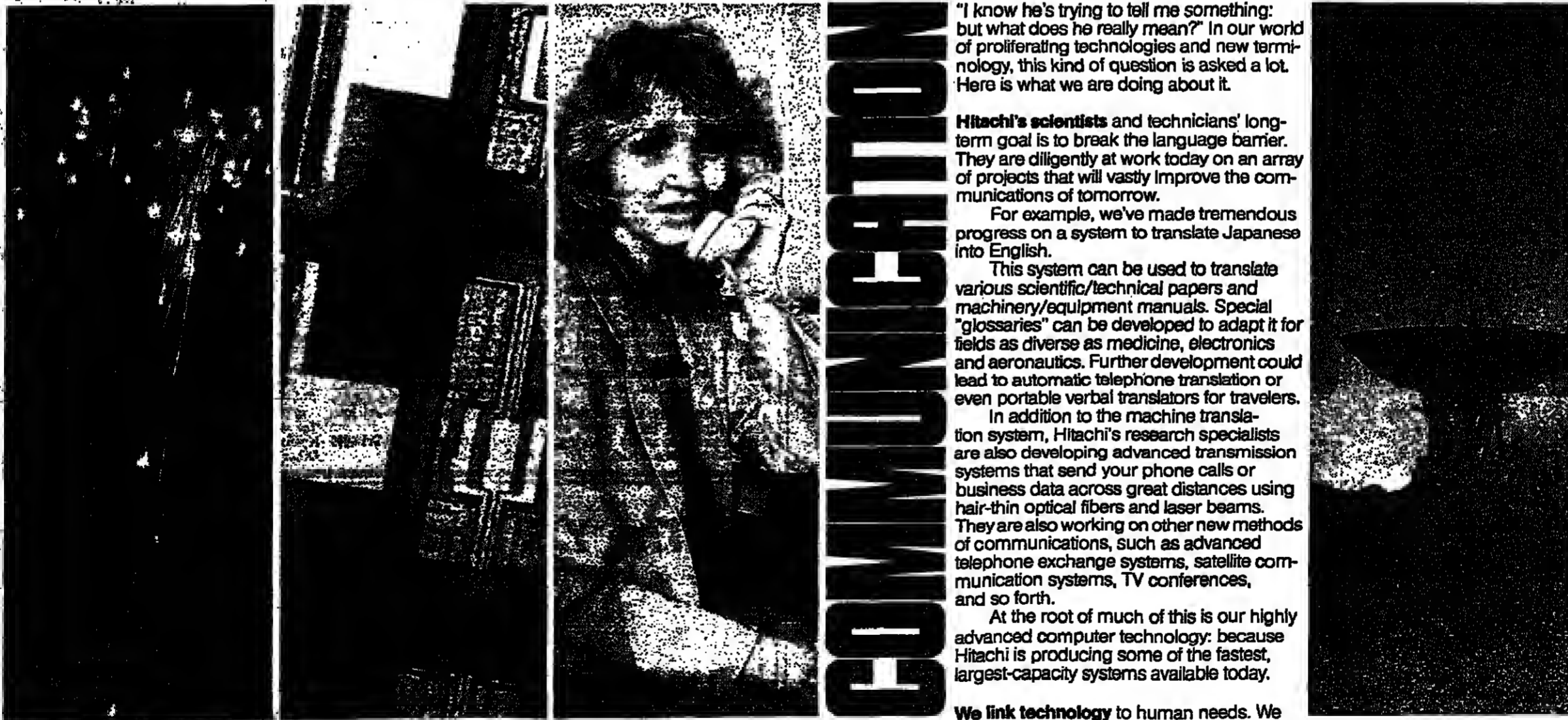
So far, however, the Transport Ministry says a separate Kobe airport does not fit into the national plan. Air traffic control appears to be the main sticking point.

Kobe has not given up, but it already has a parallel proposal. At the very least, it intends to build a air terminal on the extension of Port Island and ferry passengers to and from the new Kansai airport by hovercraft.

By that time, Mr Kimura will have levelled his mountain, and the City Fathers hope to have new peaks in their sights.

Clay Harris

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More than 80 per cent of Japan's R&D is spent by manufacturers

Japanese companies are raising R&D spending

A need for more basic research

WHEN THE yen started to creep up against the dollar in late 1985, Japan's major exporters seemed to act in unison. Fixed costs were slashed, production was moved offshore wherever possible, and spending on research and development was left untouched or increased. Japan's commitment to research and development is legendary in international business circles. In 1985, for example, Japan was already outspending the United States on research and development as a percentage of GNP. Unlike the US, however, where nearly half of the nation's research and development is government-funded, Japan's corporate sector accounts for more than 80 per cent of the nation's R&D. This heavy private commitment to R&D has helped Japan to maintain its exports in a whole range of products, from motor cars to semiconductors, despite the appreciation of its currency. This year, for example, Japa-

nese companies are expected to pump up their R&D capital expenditure by another 20 to 30 per cent. For the most part, however, most of this money will continue to be concentrated on applied, product-oriented research, not basic research. Indeed, although corporate spending on basic research is slowly rising, Japanese executives cannot break out of the mould of describing this field in terms of its commercial potential. For example, Mr Shigeru Sato, a board member of Fujitsu Laboratories, says: "Our basic research ratio is increasing year by year because it is important. New scientific opportunities are very important to getting new business, so we need basic research." Research and development analysts are more outspoken about the problem. Tom Murtha, an analyst for Baring Securities in Tokyo, says: "Despite the lip-service given to it in Japan, basic research does not get the recognition it deserves."

"There are some world-class researchers in Japan who are not only fighting for recognition, but are fighting for funds. The money for blue-sky research just isn't there." The reasons are not just a determined commercialism on the part of Japanese companies. They are also the result of the Japanese academic world's extreme rigidity, in which the senior professor or researcher holds the purse strings and does not money only for projects which support accepted wisdom. Projects which challenge accepted wisdom are usually rejected. Despite this lack of freedom in the laboratory, Japan, of course, does very well. In all fields, from microwave ovens to neurocomputers, Japanese technicians have refined the art of using basic research from other countries and turning it into viable products which everyone else wants to buy. But in recent years, the countries which bear the cost of basic

research have begun mounting complaints against Japan, arguing that not only must Japan spend more on basic, blue-sky research, but it should allow more foreign researchers into its laboratories.

Mr Seichiro Ito, Japan's Minister of State for Science and Technology, does not disagree. "Japan has borrowed technologies from other countries in building its economy. The time has come to repay those countries for their favours."

"There is practically no technology which Japan has still to learn from other countries. Japan, therefore, has to carry out technological development by itself. Japan should pursue basic research more enthusiastically," he said in a recent government publication.

He admits that Japanese researchers in the United States outnumber the country's scientists in Japan by a ratio of 10 to 1. "At present, it appears Japan's doors are closed," he says. In fiscal 1988, however, his department has budgeted for 100 fellowships for foreign researchers and the Ministry of Education plans for a similar number.

The key to widening Japan's basic research role and opening the doors to foreigners, he says, is to increase government spending. Basic research, he admits, has been neglected in Japan.

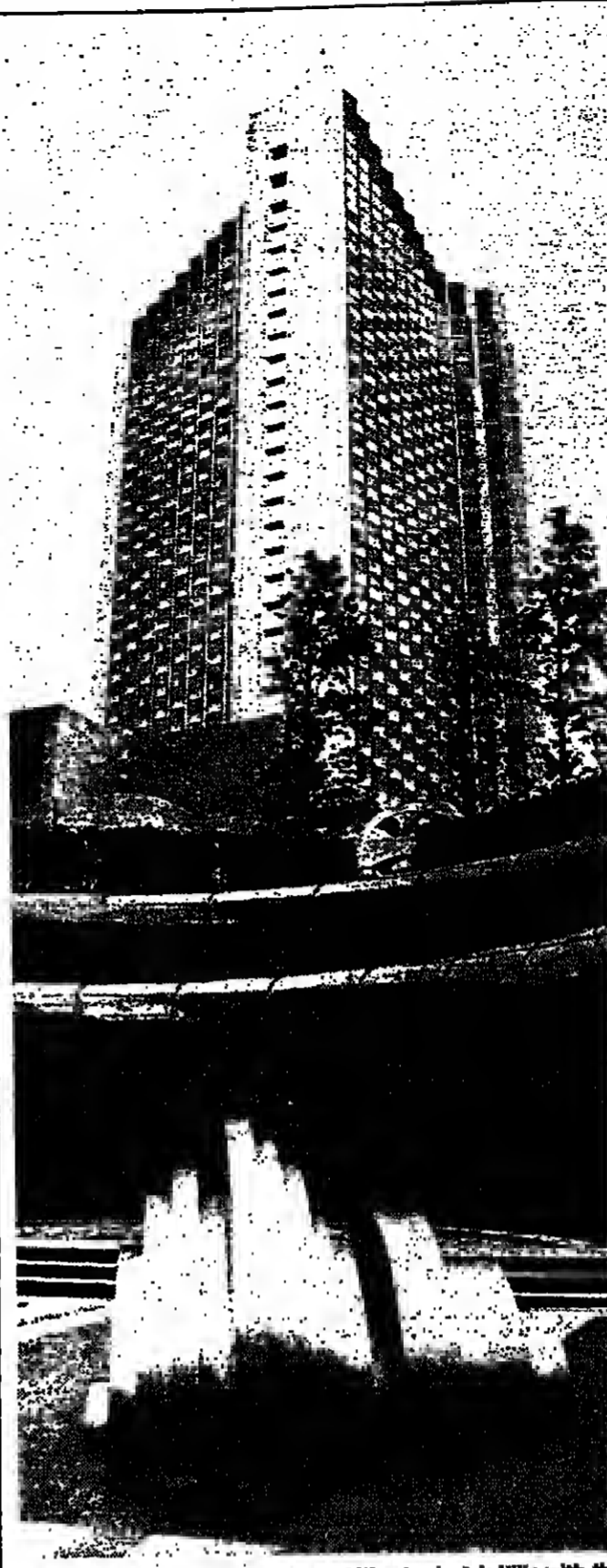
"We criticise ourselves for not spending enough on basic research. So our goal for the future is to spend more on this and this is a goal at the Cabinet level," he says.

Government officials, however, were, before fairly vague when asked about their goals for Japan's basic research efforts. A few years ago, Prime Minister Yasuhiro Nakasone rolled out something called the Human Frontier Science Programme, saying that trillions of yen would be spent on this basic research effort over the next several years.

Mr Ito says, however, that the programme's current annual budget is only ¥300m, only enough for a feasibility study. But that study is being formed with the aid of foreign scholars, with the aid of the study group held in Tokyo earlier this year. The goals of the programme, he says, are to "try to find the secrets of how the human body actually functions." The results will be shared with all nations. It could be many years, however, before such a programme moves into high gear.

In the meantime, it is corporate Japan that continues to do most of the running in R&D.

Carla Rapoport



A striking sight in Tokyo: the amphitheatre in Ark Hills with the ANA hotel behind

Profile: Matsushita

Proud to be in Europe

IT IS not without a touch of pride that Mr Takeo Matsumura, assistant director of Matsushita's video recorder division informs visitors to his head office in Osaka, that his company's German unit is a member of the West German industry association.

For him that membership is positive proof of the way in which Matsushita has integrated its video tape recorder (VTR) production into West Germany's own industry, and become, long before the advent of the unified European market in 1992, a European insider.

In so doing it has managed not only to evade protectionist critics in Europe, but also to achieve economies of scale in the manufacture of a technologically mature product, thus clearing the decks for further technological advance at home.

Some 60 to 65 per cent of the VTRs that Matsushita sells on the European market are now made in Europe, and their local content is around 70 per cent, way above the 40 per cent demanded by the European Commission from companies seeking to avoid charges of component dumping.

At some time in the future Matsushita might consider using its West German VTR operations to begin production for markets outside Europe, Mr Matsumura says.

The history of its European ventures goes back five years to 1983 when Matsushita first established a co-operation agreement with the German company of Robert Bosch for the production of VTRs.

But it quickly found that simply shipping components from Japan to Europe did not allow for technology transfer and sufficiently deep collaboration. So it struck a second agreement, this time with Grundig, to make head cylinders for VTR decks. This is a capital-intensive process which requires a high output. Grundig was able to make use of Matsushita technology to supply its own needs as well as those of the Japanese company.

Matsushita now operates an intricate system whereby its own 100 per cent subsidiary in Peine, West Germany, buys head cylinders from Grundig. It uses these

components in its own mechanism assembly, selling the mechanisms back to Grundig, to its joint venture with Robert Bosch and to its own final VTR assembly plants in France and Spain.

This has given it a deep involvement in and with European industry. "We could have done it all ourselves, but by collaborating with European manufacturers, we thought there would be the basis of future collaboration in further expanding areas," Mr Matsumura says.

The emphasis on collaboration should stand Matsushita in good stead for the looming unification of the European market in 1992.

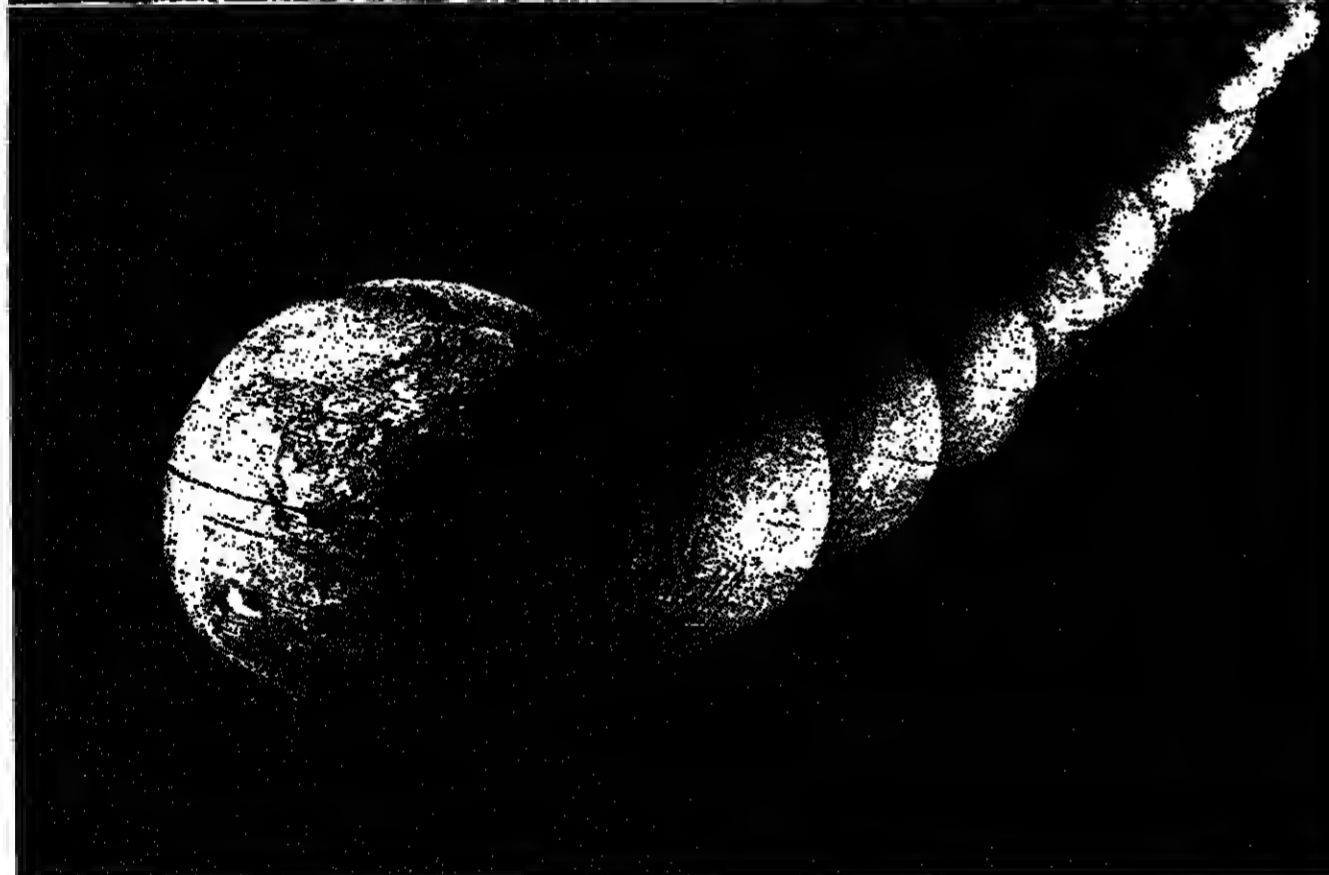
Though Japanese companies have little say in the kind of standards that are being written for this market, Matsushita's European partners do have some lobbying power. Besides, adds Mr Matsumura, technical co-operation is a sure route to establishing market presence than the installation of Japanese-owned component companies since that is likely to cause friction with European component suppliers.

The strength of the Yen has made little economic impact on the company's European operations since the Japanese currency has appreciated much less against European currencies than against the dollar. Labour costs are much the same in West Germany as in Japan, although it is easier to run a two-shift operation in Europe than it is in Japan.

Nor has the transfer of production to Europe led to what the Japanese call a "hollowing out" of the parent company. It has allowed Matsushita Electric in Japan to concentrate on development of the next generation of products such as the video-camera recorder.

This is a much more complex piece of equipment, requiring more than 3,000 components compared with 2,000 in a standard VTR. The manufacturing process is more expensive, but the product sells at a much higher price and the value-added, which has become all important for Japanese companies is greater than on traditional lines such as VTRs.

Peter Montagnon



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International Chamber of Commerce, Japanese National Committee, Tokyo Radjo Bldg, 2-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo (tel 213 8585).
Japan Foreign Trade Council, Sekai Boeki Centre Building, 4-1 Hamamatsu-cho 2-chome, Minato-ku, Tokyo (tel 435 5950).
Japan External Trade Organisation (JETRO), 2-5 Toranomon 2-chome, Minato-ku, Tokyo (tel 382 5311; te 24378).
Kobe Chamber of Commerce and Industry, 1-14 Hamabedori 5-chome, Fukuoka-ku, Kobe City, Hyogo (tel 251 1001).
Osaka Chamber of Commerce and Industry, 58-7 Uchihomachi Hashizume-cho, Higashi-ku, Osaka (tel 256 6200, 944 6412).
Tokyo Chamber of Commerce and Industry 2-2 Marunouchi 3-chome, Chiyoda-ku, Tokyo (tel 283 7500/7610; te 222 4920).
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JAPAN 9

Women's roles

Undoing the rules and myths

OF ALL the adjustments taking place in Japan, those concerned with the roles of women may be the most difficult to cope with. Even at the simplest level, it is no longer clear what will happen in Japan when a man and a woman meet trying to go through a doorway at the same time. When it comes to more complex social and work interactions, confusion is building up rapidly. Historically, women in Japan have had very clearly defined positions in society, giving them immense power within the family but reducing them to a totally inferior role in public, symbolised by the requirement that they walk three paces behind their husbands.



Eiko Shinotsuka: pessimistic about the prospects

Such a simple system, whatever its merits or faults, is no longer possible in a sophisticated industrialised society, especially one that has endorsed, at least in law, the notion of equality of the sexes. However, the process of undoing the myriad regulations, customs and myths which circumscribe women's roles in Japanese society is proving exceptionally difficult.

As elsewhere, a large proportion of men resist moves towards women's equality. More surprisingly, a clear majority of women in Japan, especially those outside the big cities, still remains opposed to the uprooting of traditional patterns, according to Ms Eiko Shinotsuka, Associate Professor of Economics at Ochanomizu Women's University in Tokyo.

Prof Shinotsuka is pessimistic about the prospects for improving the social environment for women. She doubts that there would even be a suffragette movement in Japan today if women had not been granted the vote in the constitution imposed by the US occupation forces in 1947.

It would be wrong to suggest that it has been impossible for women to advance to leading roles in Japanese society.

There are enough Japanese women who have achieved distinction in business, scholarship and public affairs. Among them is the current leader of the largest opposition party in the national parliament, demonstrating that a woman who was truly determined to make her way in the world could do it, even 20 years ago. However, the price has been high, both in terms of the extra effort required and the social disapproval.

The well-known woman politician complained recently about how bored she has become with people who persist in making sarcastic comments to her husband, also in business, about her success.

Ms Takako Doi, the leader of the Japan Socialist Party, faces occasional insinuations about her sexual tendencies. The landmark event in attempting to widen the possibilities for women in Japan was the passing of an Equal Opportunities Act in the National Parliament in 1985.

The law was passed just in time to fall within the United Nations' women's decade and in the teeth of strong opposition from employers. The employers' interests in this matter became clear a few years ago in a study of the relative flexibility of labour markets in various industrialised countries.

Despite its famous lifetime employment system, Japan emerged at the country with the most flexible labour market. The reason is that women are used as the buffer labour stock in Japanese industry and commerce.

Women are expected to work at mindless jobs for a few years in their twenties, mainly with a view to catching a husband, and then are meant to retire and have children.

Labour turnover among women is so high that companies in many sectors can quickly adjust staff levels to changes in market conditions without even having to resort to lay-offs or redundancies. Women are generally not invited to join the management streams and they are not offered lifetime employment.

Employers could always justify this double standard because the law, acting in defence of the family interest, severely limited the amount of overtime that women could work and prohibited them from working after 10pm. The Equal Opportunities Law eliminated the restrictions on female working hours for management level positions, but otherwise did not require employers to do anything, it merely recommended.

There are no penalties for those who choose not to go along with its provisions. According to a recent survey carried out by the Tokyo Metropolitan Government among 1,000 companies with more than 30 employees, 15 per cent still hire women on terms different from those applied to men.

They pay women less than men doing the same jobs and require women to retire at an earlier age than men. Women filled only 3.5 per cent of the management positions in the companies surveyed. The one sector in which women have made significant progress is the retail trade, although this is to some extent the result of retailers making a virtue out of necessity.

In the Japanese pantheon of esteemed employers, retail houses figure rather low, well below manufacturers, banks and securities houses. Consequently, few of the best and brightest males go into the retail trade. The big department store groups, a few years ago recognised their plight and so began to promote equal opportunity in the hope of attracting the best and brightest females.

The huge Seibu group, which pioneered in this area, now counts 250 women among its 2,300 management corps. The group offers extended maternity leave, a guarantee of a job when the woman returns to work and near their main store in Tokyo, a daycare centre.

Such is Seibu's reputation that 4,000 of the roughly 100,000 women graduating from Japanese universities each year apply for jobs there.

Mr Kazuo Ito, managing director of Seibu Department Stores, says the programme has been successful in a number of ways, including improving management quality, improving morale of the largely female workforce, and in promoting the image of Seibu among women consumers who form a majority of the group's customers.

Like Prof. Shinotsuka, he believes the key to the further promotion of women's interests lies in changing management attitudes rather than in more action on the legal front. He says Seibu directors, from the chairman down, tirelessly promote the idea of non-discrimination, trying to overcome male prejudices within the organisation.

His only complaint about the legal framework is that Japanese law allows only two types of employment contracts - lifetime and one year. But he recognises that there would be widespread abuses by employers if they had the opportunity to tie people to, say, 10-year contracts and then sack them.

Ms Shinotsuka is adamant that lifetime employment must be preserved, and that employers must be pressured to offer it to women as well as men. She opposes any more efforts at the moment to legislate the promotion of women's interests out of fear that it would encounter such strong opposition as to be counterproductive.

The other main pressure for change is coming from young people. For example, employers report that many young male employees are unenthusiastic about the traditional evening socialising with colleagues, preferring to be home with their families.

Also, young couples are beginning to eschew the traditional words for each other (*chūrin*, meaning lord, *kamei*, meaning in the home) in favour of more egalitarian terms. But there is still a long way to go. **Ian Rodger**

THE WONDER of modern Japan is the continued dedication of its workers, in the face of the country's increasing wealth to undertake a dreadful, daily journey to their jobs and work, for 10 to 12 hours for a salary well below what they would earn at a comparable US or European company.

Why do they do it? Even the workers themselves do not know. One can only assume it is because Japan is not a society of individuals, each seeking his own advancement, or individual glory. It is still a fairly cohesive society where the individual rarely questions his or her lot.

Phrases like "the grass is greener on the other side" or "one can never be too rich or too thin" do not exist in Japanese.

Instead, the Japanese pepper their conversation with phrases like "try your best" or "perseverance." The Japanese word for overtime, for example, literally means unfinished work.

But perhaps younger workers, those who have been on holiday or travelled abroad, are questioning this kind of Japanese-style dedication to job and company. After all, not so many years ago, working class people in Europe also accepted their living standards and did not try to change them. So far, however, there is little to suggest that young Japanese workers have changed their expectations from those of their parents.

Mr Takashi Hiyashi, executive director of the Japan Federation of Computer Workers Union, for example, is quick to point out that the young, well-educated men and women who work in Japan's computer industry are overworked.

But even Mr Hiyashi says that the overwork is due to the lack of trained software engineers and programmers, not bad management.

Mr Kunio Yamamoto, 29, a university graduate, discussed the problem of overwork from his point of view. He works in a company producing robotic software, an area where Japan has the unchallenged lead. Last year, business was so good he was asked to work 100 extra hours a month, on average. One month, his overtime totalled 280 hours, or more than nine hours a day on top of his normal working hours. His income, including overtime payments, averaged just ¥280,000 a month.

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Carla Rapoport on the pressures of working life
Dedication to the job

At this salary, he could afford to live in a 40sq metre apartment, just one and a half hours' drive from his office, or two hours by train. He drives a relatively new Mazda, but has not taken a holiday in recent years.

In fact, some months, he saw his wife only two or three times a week because he worked until 3 am, and then went to sleep in a company dormitory.

What does his wife say about this? "She's not happy, but she has given up complaining," he says with a laugh. Why does he do it? "I just have to do it. It's mandatory. I do it on guts."

When asked about the Ministry of Labour's intention to cut working hours, Mr Yamamoto just smiles. "They are not sincere. It will not be achieved. Because Japan has international critics, on the surface, they reduce working hours. But for really demanding fields, they make exceptions. The Ministry even says the company doesn't have to pay extra for overtime."

His overtime pay is 1.5 times his regular hourly salary, and 1.5 times for holidays and working after 10pm. Does he expect more. "I know my company's situation and I don't think I could expect more."

Should the company hire more workers? "Yes. In fact they are trying. But even if we have more workers, the situation will not change. The business is growing so fast."

Does he work hard out of a sense of patriotism to Japan? "To my company, I have patriotism," says the young worker. "But no, I don't have much patriotism to my country. I don't have a sense in my daily life of being Japanese."

The young computer worker is aware that his counterparts in other countries have a better standard of living. "I'd like my children to live like Western people and I hope to achieve it myself," he says.

In the meantime, however, he cannot begin to think about becoming a father. He simply does not have the time.

Japan's labour history has taken a big step
Unions amalgamate



Workers demanded more pay at the Kojimachi Kaikan building, Tokyo

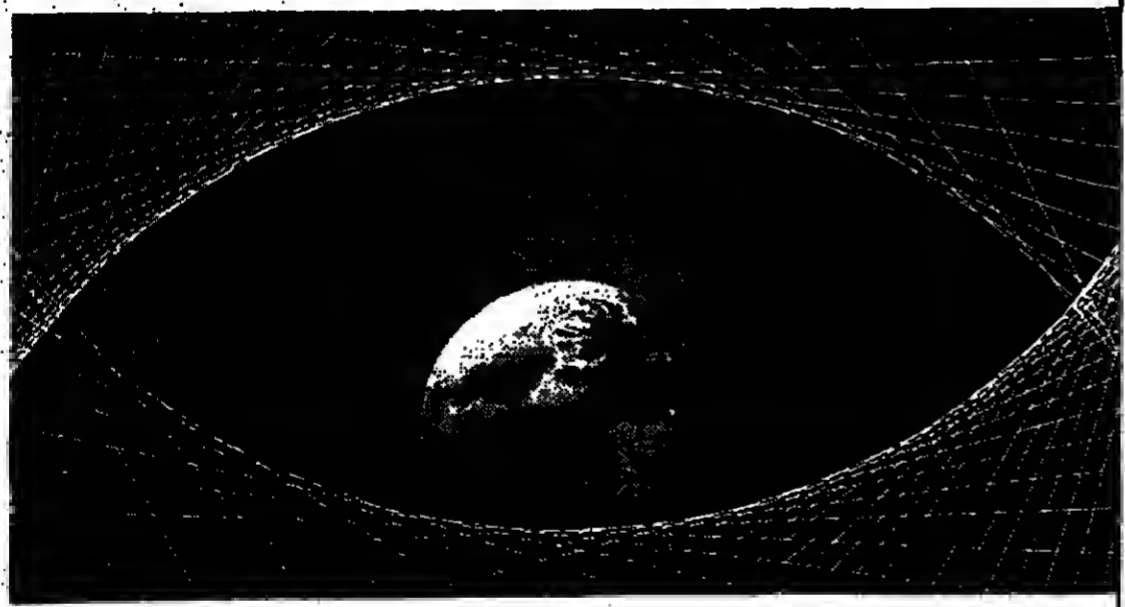
Despite these strong words, however, labour union officials face an uphill battle in Japan. Regardless of pay and conditions, most workers automatically give their loyalty to their company, not their union.

Further, the labour movement to date has had precious little influence on the policies and programmes of the powerful LDP. For example, despite the horrendous hours worked by young people in the computer industry, only 4,000 out of about 100,000 computer software workers are unionised.

And even though the Government is officially promoting shorter working hours for Japanese labourers, it admits it has no powers to enforce such rules. "We are making a mood which we hope will help to reduce hours, just by giving pamphlets and leaflets and holding forums and symposium. If a company doesn't reduce working hours, there is no punishment," says Mr Ukiyama, an official at the Ministry of Labour, Wage and Welfare department.

Rengo faces a tough task ahead as it tries to educate workers that it can help them. **C.R.**

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JAPAN 10

International moves have forced a fierce debate on agriculture support. Peter Montagnon explains

Powerful farm lobby on the defensive

JAPAN HAS so far taken a back seat in the international debate on world farm reform. It delayed producing proposals of its own to the General Agreement on Tariffs and Trade until late last year and has been content to yield centre stage to the US and the European Community who are sloggng it out between themselves.

Yet the very existence of the farm reform debate at an international level, alongside trade pressures applied by the US and the world-wide trend towards economic deregulation, has finally begun to call into question its long tradition of government support for farmers.

Behind the scenes, a heated debate over farm policy has developed in Japan in which the powerful farm lobby is on the defensive. For the government of Prime Minister Noboru Takeshita, the issue is a delicate one, however, since Japan's electoral boundaries still give farmers a large say in the policies of the ruling Liberal Democratic Party.

Japan's farm structure goes back to the post-war McArthur land reform when land was reallocated in small parcels to even out the distribution of wealth and free small farmers from the domination of large rural landlords.

liberalise imports, our agriculture will collapse. The supply of food for the people of the nation should be the guiding principle." Japan has already been successfully taken to the Gatt by the US over a long list of farm products and under US pressure last month finally agreed to open its domestic market gradually to beef and citrus imports. But, by far the deepest emotions in the farm debate are aroused over the question of rice, Japan's staple food whose import is still banned.

Commenting on the rice market, Mr Kosuke Hori, an LDP Diet Member from the rural Saga prefecture on Kyushu Island, argues that the present system ensures stability of both supply and price, albeit with the latter at a very high level.

NEXT TO the village of Tsuguri in the rice-growing Niigata prefecture of West Central Honshu is a community that consists entirely of old people.

According to Mr Yukio Ozaki, who grows rice and raises dairy cattle on his Tsuguri farm, the land has fallen into rack and ruin. As the older people have given up farming it has become overgrown. Some of them have gone away to live with their children in the city.

The paddy fields are in such poor condition it would be difficult even to give them away. It is a poignant illustration of the pressures that are now intruding on to farming communities in the fertile and tranquil plains between the mountains and the coast of the Japan Sea.

Small farmers

Future is threatened

land and the price is dropping, but like most farmers he is adamantly opposed to the opening of the domestic market to imports. "Liberalisation would destroy Japanese agriculture. I don't want them to do it. If the Government took that policy, farmers wouldn't trust them any more.

They'll only grow enough rice to feed themselves." Japanese farm support policies mean consumers pay some six times the world price for the rice they eat every day, but this does not worry Mr Shiozubo.

"If consumers eat rice three times a day it costs them between Yen 180 and Yen 300," he says. "A cup of coffee costs Yen 300 to Yen 400. So why do they criticise us? We can live without coffee, but we can't live without eating rice."

active with a 50 per cent subsidy from the Government for the collective use of local households. The farmers themselves would not have been able to build it without government support and Mr Shiozubo believes that only with such help can farming become more efficient.



Mariko and Sadeo Shiozubo (centre and right) eat lunch with Sadeo's mother, also a farmer

Mr Shiozubo works 11 hours a day during the planting season, eight hours at harvest time and just four or five during the summer. During the winter when there is heavy snow, he has little to do.

His neighbour, Mr Ozaki, unusually for this region, is a dairy farmer. He recently got married - to a Chinese girl since the local young women have been among the first to desert the countryside - and had to milk his cows on his wedding night because a friend who was to have done it for him was drunk. But normally in between milking sessions he spends his time roaming the country lanes on his motorcycle.

KEY FACTS

Table with multiple columns containing economic data for Japan, including population, area, GDP, exports, imports, and various trade categories.

Clay Harris on the arguments for a new capital

Tokyo talks of a move

SHOULD Japan move its capital? The question, a perennial debating point, has been given new life by soaring land prices in Tokyo. Proposals of relocation have put forward a variety of plans, and the issue is being studied by a parliamentary committee.

Mr Sakaiya would limit the new seat of Government only to the Diet and government Ministries and supporting services; including newspapers, schools and restaurants.



Masatsugu Yokota: concentration not a serious issue

posed by Tokyo's susceptibility to major earthquakes. However, steps to encourage Ministries and agencies to locate some functions outside Tokyo have not been especially successful.

"Before talking about relocating the capital, authority should be allocated to local governments so they do not have to come up to Tokyo to ask for permission."

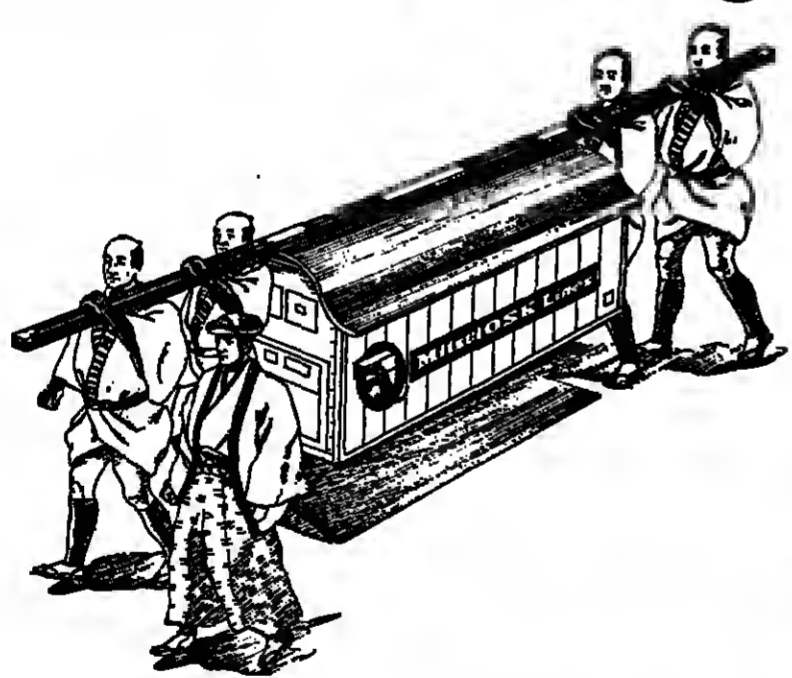
The city is doing its best to dampen property speculation by refusing to sell any of its own land. For example, when it moves its main offices in 1991 to a new complex in Shinjuku, one of seven planned urban sub-centres, the prime Marunouchi site of the present City Hall will be redeveloped as a conference complex, but Tokyo will keep a firm hand on the freehold.

But need the capital be moved at all? By the turn of the century, it is perfectly possible that Tokyo may no longer be Japan's sole capital.

It is much more likely, however, that the Japanese will still bemoan the increasing concentration of population and power in the Tokyo region and earnestly debating possible solutions. And that more and more of them will still be trying to make sure that it is exactly where they live and work.

before, the first time in 1964," says Mr Fumio Arai, research director of the Tokyo Metropolitan Government's policy planning office.

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Advertisement for Saitama Bank, featuring a cityscape illustration and text describing its services and growth. The headline reads 'Saitama Bank. A sound banking system matched to new banking needs.'

JAPAN 11



Seiko Tanaka (left) and Sanee Umemura in class at high school.

Education

Pressure on students

SEIKO TANAKA, an 18-year-old who wants to be a graphic designer, cannot wait to finish high school.

She has to study almost 50 hours a week. Every day after school she sets out at 4pm for evening classes and rarely gets back before 9.30pm. She has no time for sport or parties or going out.

In a few months, life will be utterly different. If she gets to university as she hopes, Seiko will be able to study as much or as little as she likes, take a part-time job, or do almost nothing with little risk of failing the course.

The contrast between school and university life in Japan could not be greater. Winning a place at a top university is all-important to any career - the content of subsequent university studies almost irrelevant.

The pressures which have created Japan's education system go far beyond elite schools to institutions like Kamata Senior High School, a neighbourhood high school for 16 to 18-year-olds, where Seiko is a pupil. It stands in suburban Tokyo on a housing estate overlooked by pink and grey concrete blocks of flats.

Seiko would prefer to do more art at day school "because juku (evening school) is so far away." But it is impossible because the timetable is virtually filled with compulsory subjects - including Japanese, language, English,

maths and science. Seiko can do art two hours a week.

Seiko's friend, Sanee Umemura is one of the 30 or so students each year who plan to go straight to work after leaving school. For Sanee this is anything but a soft option.

She says she does not want to go to college or university because "you see college students on television. They don't do anything except waste time and money. I want to start working as early as possible."

Sanee is doing a correspondence course in bookkeeping to improve her chances of getting work in a local company's accounts office.

The girls' friend, Tsuyoshi Kusama, who wants to study engineering at a technical college, does not go to juku. He likes building models and complains that there is no time for craft lessons at school.

He says he spends his evenings watching television. "I don't watch anything in particular, I just sit in front of it."

The girls hardly have time for television. Seiko is busy drawing when she is not at school. Sanee plays the piano and flute and belongs to a brass band.

On Sundays, the two go shopping sometimes with friends or with their mothers. "Usually we just look," Sanee says.

Koji Okada plays baseball, travelling half an hour by train to sports grounds along the Tama

River, one of the few nearby areas of open space.

None of the four goes out in the evenings for a drink with friends or to the cinema. They are keen on rock bands, Western and Japanese, but do not go to concerts. School dominates their lives.

Their attitudes reflect the atmosphere of the classrooms at Kamata. Fifty or so students sit at small desks facing the blackboard - boys and girls in alternate ranks. Much of the time is spent making notes.

The students are earnest, and anxious to please, but lack self-confidence compared with British teenagers. Nobody is "cheeky" to the teachers.

Yuuki Nishimura, Toshihiro Ijima, and Nobuyuki Matsumaga might be from a different world. Aged 22 and 23, they are final students at Sophia University, one of the best in Tokyo. Unlike the school students, they have opinions and are not afraid to voice them. They worry about Japan, America, and about having enough money to spend.

Nobuyuki spends three to four hours a week studying French literature and the rest of his time working - writing Japanese sub-titles for foreign films. Each project takes three days and earns him ¥50,000. He plans to carry on with this job next year, or possibly become a teacher.

He is toying with writing a novel about Japanese men -

Youth
A generation with plenty

JAPAN'S young people are a lazy, self-centred and narcissistic lot compared to their hardworking parents who fired the country's post-war economic resurgence - at least, that is one strong current of conventional wisdom in Japan at present.

Evidence of this trend among the young is easy to find on the streets and in the media.

An example of the facilities for the young, pampered male is shown by hospital specialising in cosmetic surgery which recently opened a new branch for men in Tokyo, 15 months ago. It sees 10 to 15 men a day, most of them young. Students can pay on the instalment plan.

A university professor complained recently, in print, that young Japanese women are afraid of hard work. As a result,

farmer and shopkeeper bridegrooms are going begging. He quotes a matchmaker as saying young women balk at being the brides of a proprietor of a small business, even though he offers financial security, because, "a family business just is not chic. Many women now have college degrees; they cringe at the thought of serving customers."

And then there is the irritation daily to millions of Tokyo commuters. Young people spread themselves on subway benches unaware that there could be space for others, older people complain.

Surveys in this data-happy society continually demonstrate that the attitudes of the young in Japan are very different from those of their elders.

The Japanese have also coined a name for the flashiest of their youth - the *shinyaru*, or "new human beings" - born into the country's material comfort after 1960. Many believe that when the new breed reaches middle age, their actions will be little different from those of their parents.

"I wouldn't get too excited about the *shinyaru*," says Merry White, a Boston University sociologist and author of *The Japanese Educational Challenge*.

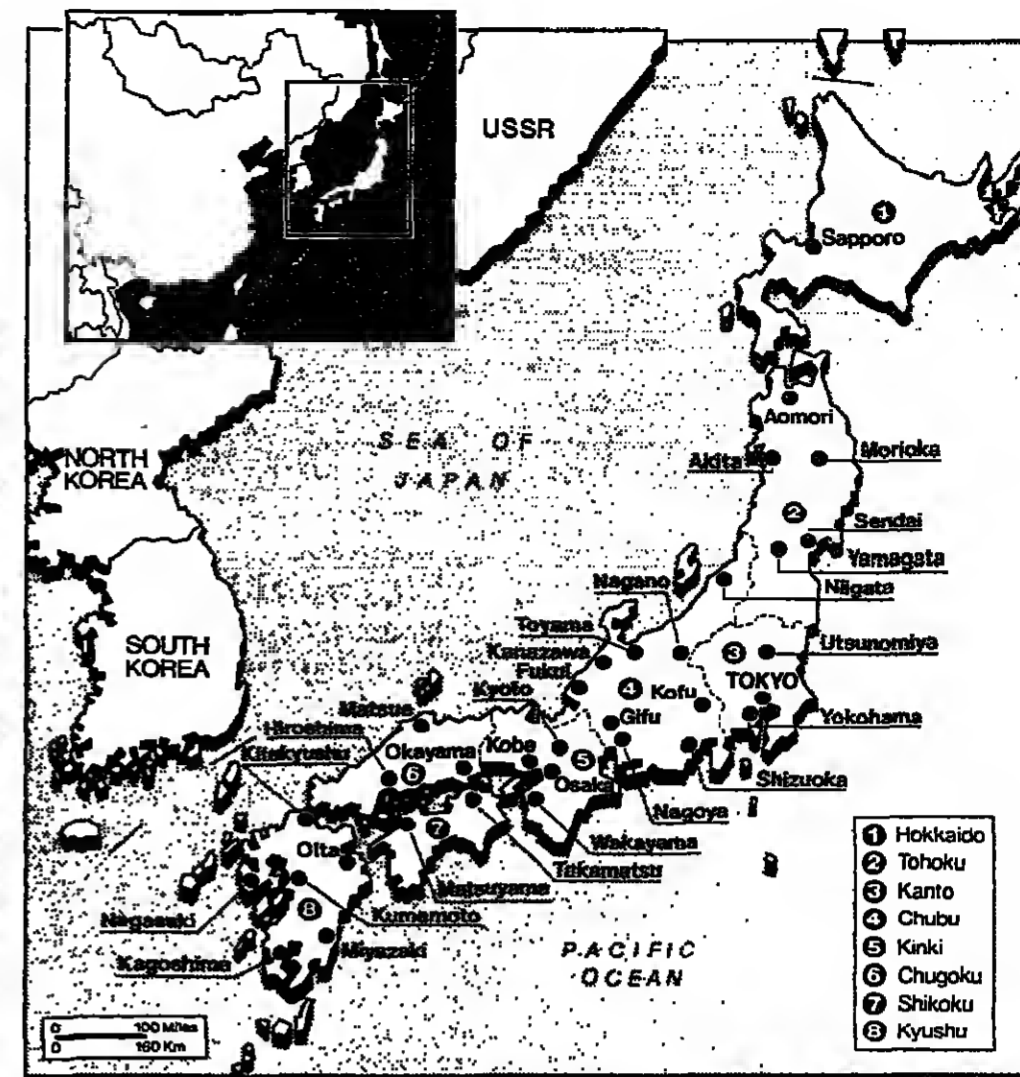
She is in Tokyo researching a new book on Japanese youth. "Attitude-polls are one thing - and behaviour is another. The Japanese have a very clear understanding of *iatemai*, the expected or the ideal, and honour, the reality. They understand they can live on both planes without being hypocritical."

The ideal for Japanese youth appears to be a lifestyle focused on self and filled with money and time enough for the clothes, travel and gadgets thought to glorify the individual.

Japanese children and young adults, cosseted by parents who remember the post-war sacrifices, are rich in possessions. One recent survey showed that 90 per cent of male college students own a colour TV set; more than half, a video cassette recorder; over a third, a car.

The only limit on possessions appears to be the size of the student's bedroom.

Parents and children used to sleep together in the same room. Now nearly a half of the coun-



try's children have their own rooms.

The comfort appears to be creating a generation pleased by the notion of individuality. When the Prime Minister's Office surveyed 3,000 people, 15 and over in 1986, 45 per cent said they wanted to reflect their own individuality in their lifestyles.

Only 36.5 per cent rejected the idea in favour of more traditional identification with society and the group.

Attitudes toward work, too, are changing. When 2,390 college seniors were surveyed this year by the Recruit Research Co, 60 per cent predicted that they will not stay with the same company throughout their careers.

This is an expectation almost revolutionary in this country of long hours, company loyalty and lifetime employment.

In addition, only 14.3 per cent of males surveyed said work will get priority over family, the lowest figure in 10 years of surveying.

"I do feel there is a great generation gap between my parents and me," says Naoko Onaka, 23, a management trainee at Fuji Bank.

"Our parents worked very hard to make a good living. Our generation does not want to work all its life to buy a house. We are seeking the feeling of fulfillment inside ourselves." At least in the short term, such attitudes should serve national policy.

As Japan's international markets shrink and it focuses on domestic ones, Japanese youth should welcome a five-day working week when six is customary for two-thirds of the population, and be more than willing to spend energetically for this week's trendiest gadget.

Indeed, an entire sector of the publishing industry flourishes to serve youth's passion for fashion. Magazines such as *Checkmate*, aimed at males aged 13 to 20 and selling more than 200,000 copies monthly, cater to narrowly-defined age and sex groups and cir-

culates widely.

But the new attitudes pose a threat to the nation, too. Japan's recovery from the 1939-45 World War was founded on the ability of its people to act as a single unit. Many believe a similar single-mindedness may be needed to conquer the growing problems of success.

Some studies show that Japanese young people are, in fact, acting on their attitudes when it comes to decisions about careers.

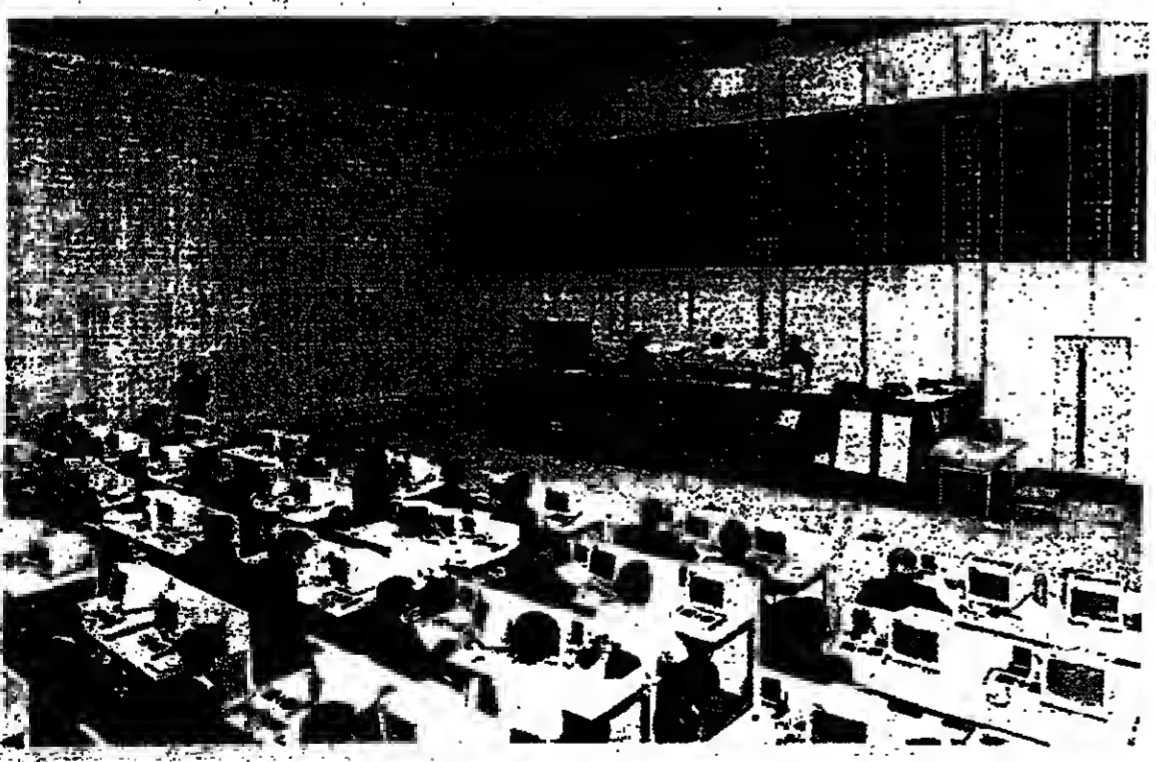
Applications for civil service jobs - long a prestige way to serve the nation - are down significantly as young people turn to private industry.

A 1986 survey of 20,000 company employees under 30 by Japan's Labor Ministry found that 27 per cent of young workers said they had already changed jobs once.

"The economy is going to determine what happens to these young people, not their attitudes," says Merry White.

Sandra Earley

THE ART OF KNOW HOW AND KNOW WHO



Trading floor at Tokyo Grain Exchange

Tokyo Grain Exchange started a fully automated system of the unique Japanese Futures Trading method from the 1st April 1988.

Mitsui & Co. UK Ltd. organized an international team for the computerization of the above system because of the sophisticated technology required, due

to the need for high speed trading to match large volumes at a single price in one session.

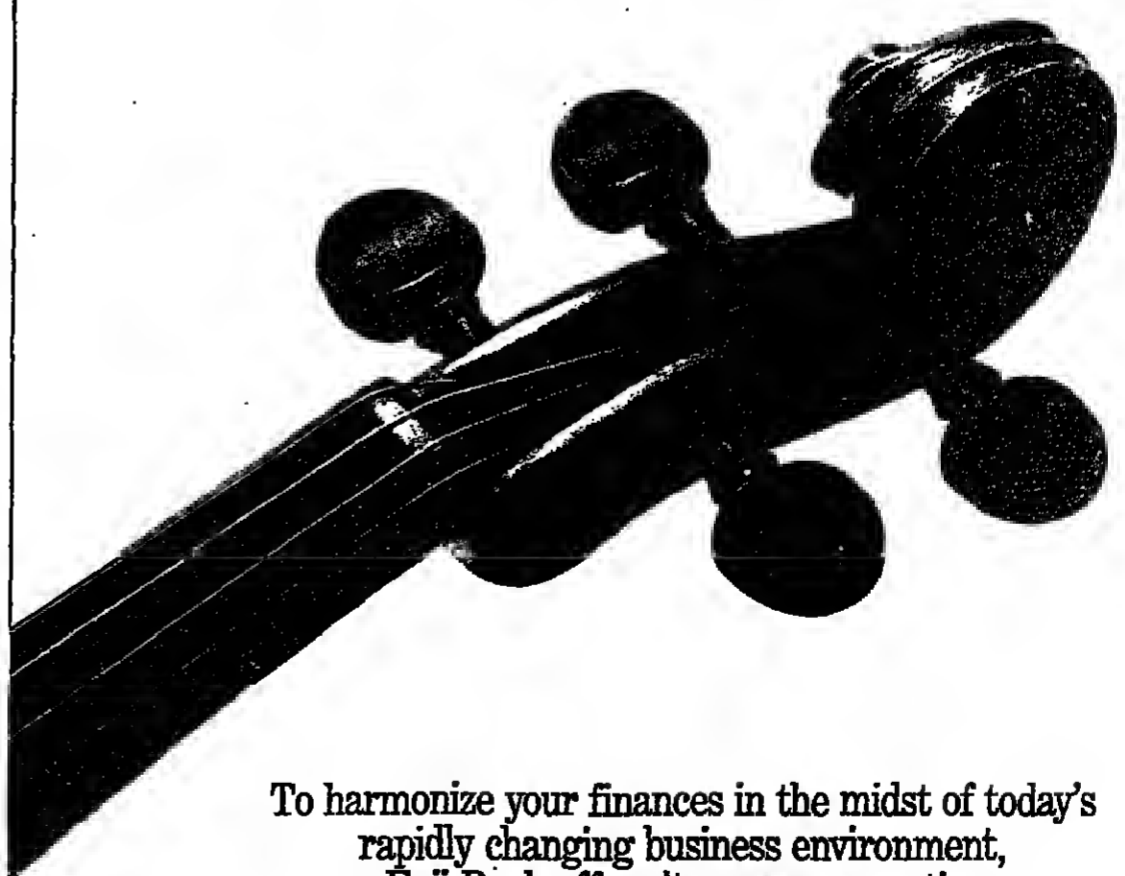
Racal Microelectronic Systems Ltd., a Racal Electronics Group Company, played a Project Manager role employing their group communications, software and information display technologies with US made non-stop Tandem computers as the main CPU.



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JAPAN 12

Foreign travel

More spend abroad

EVERY day outside the American Embassy in downtown Tokyo a long queue of mostly young female Japanese, clutching their red passports and visa applications wait patiently as part of Japan's latest export, its yen-laden tourists.

Hawaii is still the top destination for the Japanese tourist - 32 per cent of whom are between the ages of 20 and 35, and 90 per cent are honeymooners. Australia is the favourite new-yeasts' destination.

However, only 5 per cent (6.85m people) of Japanese people go abroad for their holidays - compared with 38 per cent of all Britons. But the market is growing fast - up by 24 per cent last year over 1986.

The Government is pleased. It wants to encourage its citizens to travel. It reckons this will lessen trade friction and promote international harmony.

But tourists can also cause friction and disharmony. A few months ago the Vatican complained that groups of young Japanese tourists were laughing loudly during Mass and munching pizza as they trooped through the Basilica.

The Pope was said to be especially alarmed by their propensity for taking group photos in the Basilica - some of which involved sitting on St Peter and making rude signs behind his head. Japan Airlines (JAL) travel company in Rome said it had "issued warnings time and time again" to Japanese tourists

about what Archbishop Lino Zanini calls their "eccentric behaviour."

The Archbishop finally issued a decree last March banning flash photography, talking and "other inappropriate behaviour" in the Basilica.

The behaviour of young Japanese abroad worries the Government not least because, new to the game, it does see each tourist as an ambassador at large - and tourism as an easy way to eat into the trade surplus.

There are of course several government plans to increase tourism. The Ten Million Plan which would almost double the number of Japanese tourists in five years comes courtesy of the Ministry of Transport.

The MOT stands to gain out of the ¥251,000 spent per person on each five-day overseas trip: half goes on the air fare. One third of all overseas trips are package tours and both the carrier and the hotel are likely to be Japanese-owned.

Business is being encouraged to do its bit. Companies can now gain tax exemption if they sponsor, by paying 50 per cent of the cost as an employee benefit, an overseas trip for their employees - at least half of whom must go.

And there are mummings in the corridors of Nagatcho (Japan's Whitehall) that Japanese companies should be encouraged to set up holiday villas overseas for employees.

Some Japanese companies already provide cheap loans to

their young soon-to-be employees for overseas travel before they join the company.

This is all part of the "internationalisation" drive (the "Japan must become part of the international community"), to be achieved by contact with anything foreign - people, places, languages, cans of fruit with funny labels, Louis Vuitton bags.

Last year the Japanese spent \$10.7bn on travelling abroad, but again, because of the high proportion of package tours much of this money comes back to Japan.

With each person on average taking in excess of ¥120,000 in spending money, the Japanese are now the world's biggest big spenders. And tourism is one area where Japan runs a deficit - amounting to \$8.6bn last year.

Almost 40 per cent of Japanese travelling abroad are now women. Young women in their 20s account for almost 20 per cent of the total market.

The proportion of women travelling abroad has almost trebled over the last 10 years compared with the number of men. The British Tourist Authority found that Japanese women saw Britain as "too masculine" - all these Guardians on the posters.

So the Guardians were quickly replaced by gardens. Japanese women put shopping on top of their list of reasons to travel. So the BTA sells London as a shopping and entertainment centre.

And the BTA's Ladies' Britain campaign sells Britain in terms

of elegant country houses, English gardens, romantic and fashionable cities and towns. It looks like Laura Ashleyland and it works: Japanese tourists to Britain increased by 45 per cent last year.

The Ministry of Trade and Industry (MITI) also has a plan to encourage more Japanese to go abroad through its Elsa scheme - Extended Leisure Stay Abroad. This is a remake of Silver Columbia, the ill-fated scheme for old people's retirement colonies abroad.

Elsa is really the same thing, only not just for old people. As MITI sees it, Japanese companies would build leisure and housing complexes abroad for Japanese people to take long vacations or job training seminars.

MITI's job is to promote Japanese business, which often brings it into conflict with other countries such as Australia already battling the "cocoan travelers" mentality - where Japanese people stay in Japanese-owned hotels, shop at Japanese-owned shops and eat in Japanese-owned restaurants.

In its present form Elsa is likely to be as popular as Silver Columbia. And perhaps MITI has the sums wrong. In a recent survey by the Prime Minister's office, 83 per cent of Japanese said they had no plans of living in a foreign country. And only 4.5 per cent said they would want to live abroad at retirement.

However, the same survey showed that 30 per cent of Japanese people are still skittish about going abroad. Fears about personal safety and not knowing what to do in a foreign culture persist and "cocoan travelling" is likely to prevail.

Lisa Martineau

Japan's ageing population

The future burden



A homeless old man sitting on a Tokyo bench

18 percentage points lower than 12 years previously.

The increasing tendency to send aged parents to nursing homes has been called the modern *obasayama*, a reference to the feudal rural practice of abandoning the old in the mountains to die.

In a recent book, Geriatric Ward, journalist Kazuo Okuma graphically describes abuses in homes a world away from the comfortable existence in Neo-Summit. He found evidence of a drastic shortage of trained personnel.

At one home, security was so lax that Okuma was able to enter freely day and night and observe the treatment of patients. Some were restrained in bed even though they were physically fit.

The fortunate few at Neo-Summit appear to have to need to worry in their country club atmosphere, but even they reflect the social changes of their generation. Some 40 per cent said they entered because they had no children to care for them.

Mr Tabahiko Akiyama, aged 68, moved into Neo-Summit in 1987, a year after retiring from Yamazaki Metal Industries in Yokohama, where he had worked for 51 years.

"By entering an institution like this, I will be able to grow old in comfort," Mr Akiyama says.

Jukeikal, the joint venture which built and operates Neo-Summit, was the brainchild of Mr Takeo Kitamura, a hospital manager, who convinced an old war-time comrade, Mr Shigeru Ishibashi, of the opportunities available in catering for the silver generation. Mr Ishibashi's company, the property group Daiwa Danchi, and Mr Kitamura each own half of the company.

Jukeikal is looking for other appropriate sites, which must be within a 90-minute rail journey of Tokyo, the main catchment area for new residents, in part because nearly half rely on profits from the sale of their houses to pay the hefty entry fee. The Tokyo and Yokohama regions have benefited the most from the recent property boom.

"Not to be haughty, but in terms of facilities and environment I think this institution is number one in Japan," says Mr Osamu Sato, Jukeikal's associate manager.

But he admits: "When I retire, I don't know if I'll be able to afford this one."

Clay Harris

A world stimulus

Continued from page 1

It seems odd, for example, that the communiqué from the recent Toronto summit of leading industrialised nations expressed worries about Eastern Europe but did not mention the Korean peninsula, the Philippines, Cambodia or Vietnam.

The trip early this month by the Defence Agency's Director General, Mr Tsutomu Kawara, to Indonesia, raises the more sensitive issue of Japan's strategic role in the world. There is no longer any doubt that Japan is becoming a considerable military power: its military equipment industry is growing rapidly, supported by the third-largest military budget in the world after that of the US and the Soviet Union.

Some analysts fear a creeping

militarisation over the next few years. Certainly, as the country's interests around the world grow, so will its need to defend those interests.

Japan's constitution rules out any overseas aggression and, by long-established policy, exports of military equipment are prohibited.

All of this goes to show that the period in which things were straightforward for Japan is over. From now on, every move the country makes will be welcomed by some and regretted by others.

It remains to be seen whether the country can cope with these new circumstances while maintaining the special characteristics that have made it so successful. Viewed from Tokyo, it looks like a good bet.



Schoolgirls travelling in a subway train



Rock band guitarist giving Sunday performance

41.6 per cent of men over 65 and 15.2 per cent of women were still working in 1985. The Government wants to encourage more part-time employment to phase people more gracefully into retirement.

This would fit into its general effort to reduce working hours and encourage longer holidays.

Other schemes are intended to rationalise public pension plans - although the Government despairs of being able to maintain the same level of benefits into the next century. As with the improvement of health, medical and welfare services, success is likely to depend on a greater role being taken by the private sector.

One sign of the growing recognition is the boom in private pension plans. Between 1982 and 1986, the number of accounts reported by the Life Insurance Association more than doubled to

2.6m, while their total value rose from ¥5,292bn to ¥11,628bn.

But one flag which few saluted was the Ministry of International Trade and Industry's "Silver Columbia" plan in 1986 which envisaged creating colonies of aged Japanese in sunny, less-expensive climates.

This was quietly shelved when it became clear that there was no desire from the silver generation itself for expatriate life. And what kind of country would transport its pensioners to lotus-eating exile?

Silver Columbia would have exacerbated one of the most distressing social factors apparent in the ageing Japan - parents' estrangement from children and grandchildren who traditionally would have cared for them until death.

Although nearly 65 per cent of Japan's elderly lived with their children in 1985, this was about

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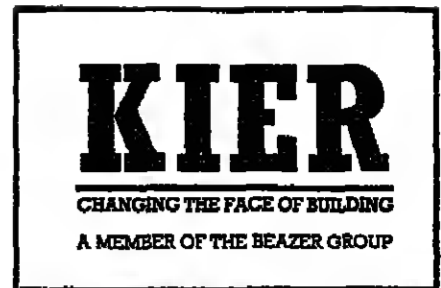
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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday July 11 1988



INTERNATIONAL BONDS

Managers get rude jolt in Eurodollar sector

SYNDICATE managers thought they were dreaming last week when the primary Eurodollar bond market experienced a day of new issuance reminiscent of a happier era...

Last week's virtual \$2bn of new dollar straight follows many weeks when the total managed to exceed \$1bn...

The confidence which has been lacking in the D-Mark bond markets since the proposed 10 per cent withholding tax was announced...

Even the Eurobond market's brash sector, Japanese equity warrants, has had a hard time of it lately, although the roots of its problems are somewhat different...

Median expectations for the May trade gap are about \$11bn and as long as the figures do not diverge wildly, the dollar could see another limited rally...

Schroder sets up fund for Italian buyouts

SCHRODER VENTURES, part of the Schroder banking group, has set up a \$40m (\$60m) venture capital fund to back management buyouts and other venture financings in Italy...

D-Mark strength fails to halt rise in Siemens sales

SALES AT Siemens, the West German electrical and electronics group, rose 7 per cent to DM35.2bn (\$19.2bn) in the first eight months of the current business year...

EUROCREDITS

Japanese respond to improved margins of comfort

JAPANESE banks have undoubtedly gone to ground in the international loans market this year because of worries about the harmonisation of international bank capital requirements post-1992...

written by Amsterdam-Rotterdam, Bank of Tokyo, Credit Lyonnais, Mitsubishi Bank and Sanwa Bank...

launch into syndication this week a \$175m financing for Iruy Merchant Developer, the UK property investment and development group...

they have raised \$100m through a Bermuda finance subsidiary from a group of banks led by Deutsche Bank, Brussels, and Generale Bank...

\$60m syndicated bank loan led by First National Bank of Boston and a \$200m private placement through Drexel Burnham Lambert of subordinated Helleman debt...

Backlog for the new fund has come from mainly institutional investors in Britain, the US and the Netherlands...

Table with columns: EUROMARKET TURNOVER (\$m), Primary Market, Secondary Market, and sub-columns for Straight, Conv, FRB, Other.

Spanish group in 10% placement

CONSERVERA CAMPOFRIO, the big Spanish meat concern which claims more than 10 per cent of the processed and frozen meat market in the country...

Advertisement for National Mutual Group Finance Limited, featuring the National Mutual logo and listing various banks and financial institutions.

Advertisement for American Express Credit Corporation, featuring the American Express logo and listing various banks and financial institutions.

This announcement appears as a matter of record only.

New issue

13th May, 1988

Can. \$75,000,000

National Australia Bank Limited

(Incorporated with limited liability in the State of Victoria having its registered office in Melbourne)

10 per cent. Notes due 1991

Issue Price 101¼ per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|--|---|
| Goldman Sachs International Corp. | Société Générale |
| Banque Bruxelles Lambert S.A. | Banque Internationale à Luxembourg S.A. |
| Banque Paribas Capital Markets Limited | Commerzbank Aktiengesellschaft |
| Crédit Commercial de France | Crédit Lyonnais |
| Credit Suisse First Boston Limited | Dresdner Bank Aktiengesellschaft |
| Generale Bank | Kreditbank International Group |
| Merrill Lynch International & Co. | The Nikko Securities Co., (Europe) Ltd. |
| Nomura International Limited | Salomon Brothers International Limited |
| Swiss Volksbank | Westdeutsche Genossenschafts-Zentralbank eG |
| Westdeutsche Landesbank Girozentrale | |

This announcement appears as a matter of record only.

New issue

2nd June, 1988

Can. \$75,000,000

National Australia Bank Limited

(Incorporated with limited liability in the State of Victoria having its registered office in Melbourne)

10 per cent. Notes due 1991

Issue Price 101¼ per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|-----------------------------------|---|
| Goldman Sachs International Corp. | Merrill Lynch International & Co. |
| Société Générale | |
| Crédit Commercial de France | Kreditbank International Group |
| SBCI Swiss Bank Corporation | Westdeutsche Genossenschafts-Zentralbank eG |
| Wood Gundy Inc. | |

This announcement appears as a matter of record only.

New issue

14th April, 1988

Can. \$100,000,000



La Caisse centrale Desjardins du Québec

(Incorporated under the laws of the Province de Québec, Canada)

10 per cent. Deposit Notes due 1993

Issue Price 101¼ per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|--|---|
| Wood Gundy Inc. | Banque Bruxelles Lambert S.A. |
| Société Générale | |
| BNP Capital Markets Limited | Bankers Trust International Limited |
| Banque Paribas Capital Markets Limited | Caisse Centrale des Banques Populaires |
| Crédit Commercial de France | Crédit Lyonnais |
| Daiwa Europe Limited | DG Bank Deutsche Genossenschaftsbank |
| Generale Bank | Genossenschaftliche Zentralbank AG-Vienna |
| Landesbank Rheinland-Pfalz-Girozentrale | Merrill Lynch International & Co. |
| Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. | Swiss Volksbank |
| Westdeutsche Landesbank Girozentrale | Yamaichi International (Europe) Limited |

This announcement appears as a matter of record only.

New issue

7th June, 1988

Can. \$100,000,000



Scotiabank

THE BANK OF NOVA SCOTIA
(A Canadian Chartered Bank)

10½ per cent. Deposit Notes due 1991

Issue Price 101¼ per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|------------------------------------|-----------------------------------|
| Algemene Bank Nederland N.V. | Banque Bruxelles Lambert S.A. |
| Bayerische Landesbank Girozentrale | Commerzbank Aktiengesellschaft |
| Credit Suisse First Boston Limited | Goldman Sachs International Corp. |
| Merrill Lynch International & Co. | Morgan Stanley International |
| Nomura International Limited | Prudential-Bache Capital Funding |
| Sanwa International Limited | |

This announcement appears as a matter of record only.

New Issue

6th May, 1988

£150,000,000

ALLIANCE LEICESTER
Alliance & Leicester Building Society

Floating Rate Notes due 1995

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited

Baring Brothers & Co., Ltd.	J. P. Morgan Securities Ltd.
Saudi International Bank <small>Al-Bank Al-Saudi Al-Ahmed Limited</small>	S. G. Warburg Securities
ANZ Merchant Bank Limited	Bankers Trust International Limited
Barclays de Zoete Wedd Limited	CIBC Capital Markets
Clive Discount Company Limited	County NatWest Limited
Credit Suisse First Boston Limited	Gerrard & National Limited
Hambros Bank Limited	Kidder, Peabody International Limited
Kleinwort Benson Limited	Samuel Montagu & Co. Limited
Nomura International Limited	TSB England & Wales plc

Union Discount Scotland (Underwriting) Ltd.

This announcement appears as a matter of record only.

New Issue

12th May, 1988

£100,000,000



9¼ per cent. Guaranteed Notes due 1993

unconditionally guaranteed by

ISTITUTO MOBILIARE ITALIANO

Issue Price 101½ per cent.

Union Bank of Switzerland (Securities) Limited

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	Phillips & Drew Limited
Bankers Trust International Limited	Banque Bruxelles Lambert S.A.
Genossenschaftliche Zentralbank AG-Vienna	Girozentrale und Bank der österreichischen <small>Sparbanken Aktiengesellschaft</small>
Goldman Sachs International Corp.	J. P. Morgan Securities Ltd.
	The Nikko Securities Co., (Europe) Ltd.
BSI - Banca della Svizzera Italiana	BHF-BANK
Compagnie de Banque et d'Investissements - CBI	Gefina International Ltd.

This announcement appears as a matter of record only.

New Issue

24th May, 1988

U.S. \$100,000,000

Fiat Finance and Trade Ltd.

8½ per cent. Guaranteed Notes due 1991

unconditionally and irrevocably guaranteed by

**IHF-Internazionale Holding
Fiat S.A.**

Issue Price 101¼ per cent.

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Crédit Lyonnais	Credit Suisse First Boston Limited
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Generale Bank	IBJ International Limited
	Kleinwort Benson Limited
Banca del Gottardo	BSI - Banca della Svizzera Italiana
Bank J. Vontobel & Co. AG	Bayerische Hypotheken- und Wechsel-Bank <small>Aktiengesellschaft</small>
Bayerische Vereinsbank Aktiengesellschaft	BHF-BANK
Girozentrale und Bank der österreichischen <small>Sparbanken Aktiengesellschaft</small>	Leu Securities Limited
Morgan Stanley International	Swiss Volksbank

This announcement appears as a matter of record only.

New Issue

1st June, 1988



U.S. \$100,000,000

**Union Bank of Switzerland
Finance N.V.**

8½ per cent. Guaranteed Notes due 1991

unconditionally guaranteed by

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Issue Price 101¼ per cent.

Union Bank of Switzerland (Securities) Limited

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Commerzbank Aktiengesellschaft	Crédit Commercial de France
Crédit Lyonnais	Credit Suisse First Boston Limited
Daiwa Europe Limited	Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft	Goldman Sachs International Corp.
Merrill Lynch International & Co.	Nomura International Limited
SBCI Swiss Bank Corporation Investment banking	Shearson Lehman Hutton International

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Base rate rises fail to shake off lethargy

IF ANYTHING was to shake long-dated gilt-edged securities out of their lethargy, five base rate rises in as many weeks and a record current account deficit should have been strong contenders.

Activity has been concentrated at the short end of the market with the long end acting as a fulcrum for the yield curve.

Last week came the news that the two largest Japanese securities firms, Daiwa and Nomura, are to begin dealing in the market by the end of the summer.

Gilts are being held in check at the long end by two seemingly equal and opposite forces. If they are to break free from their narrow trading range, one side is going to have to give.

Holding prices up is the technical outlook. Highly government revenues mean little need for funding and a shortage of stock.

Friday's Bank of England announcement of an auction of short-dated stocks on August 10 surprised the many who had expected long-dated stock.

On the other side are bearish fears about inflation. Tants by Mr Nigel Lawson, the Chancellor, about "teenage scribbles" has not fettered independent economists in their gloomy prognoses.

Forecasts of 5 per cent or above by the end of the year are commonplace and the Treasury has acknowledged that its own forecast of 4 per cent is too low.

Inflation will again be the

focus of attention this week. Most economists are expecting Thursday's average earnings figures to show the underlying rate remaining at 8 1/2 per cent but many fear another rise to perhaps 9 per cent.

Here the argument runs that government statistics alone will not be sufficient - at least in the short run.

Why then was the long bond yield on Friday still a quarter of a percentage point below its peak of late May? And why do we hear so little about the 10 per cent bond yields which a few months ago were almost taken for granted?

The commonplace explanation for the bond market's surprising resilience is, of course, the strength of the dollar. But even if the rising dollar is more than a temporary aberration, it actually explains less than is sometimes supposed.

The second theory is that a cumulation of economic statistics will eventually provide clear proof that the economy is moving in one direction.

Until a cure for the market's drowsiness is discovered, dealers will be frustrated by thin volumes and small price movements.

Given these worries, news that the Japanese are coming was greeted with considerable calm.

They may even provide the long end of the market with a welcome kick-start.

Ralph Atkins

US MONEY AND CREDIT

Treasuries resilient despite shock of employment surge

CONSIDERING the economic news it has faced this week, resilient rather than weak would seem to be the best adjective to describe the state of the bond market.

There are two more fundamental reasons why long-term bond investors may be refusing to panic about the present strength of the economy.

The argument for an eventual slowdown needs little elaboration. The economy often seems strongest just before it is about to turn.

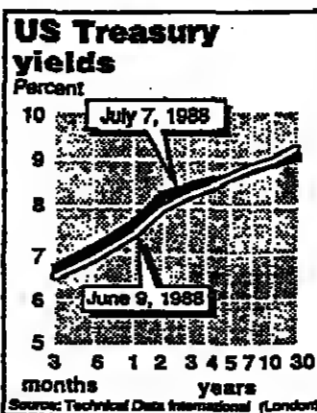
Whether the economy slows down of its own accord, is squeezed by monetary tightening or is restrained by a fiscal package shortly after the presidential election, many investors seem to believe that the present expansion does not have much longer to live.

A classic sign of such deflation

no attraction in locking money away for 30 years at 9 per cent, however good the currency appeared in a shorter time frame.

Now what about the less familiar ultra-optimistic case for buying bonds? The argument is strong. To begin with, the economic and social world today has much more in common with the Golden Age of capitalism in the 1950s and early 1960s than with the Dark Decade of socialism from 1973 to 1982.

The New Age credo requires, at a minimum, rejection of two fundamental dogmas which have ruled the financial markets for the last 15 years: that inflation will inevitably start to accelerate once unemployment falls below some "natural rate" of between 5% and 6% per cent; and that there will never again be a economic upswing as long as the 8% year continuous expansion which America enjoyed from February 1981 to November 1980.



US Treasury yields

Mr Lawrence Kudlow, of Bear Stearns, was chief economist at the Office of Management and Budget from 1981 to 1983. He therefore knows a thing or two about New Age thinking, as one of his recent circulars attests.

When Mr Bush repeatedly tells the American electorate that he will never raise taxes he almost certainly means it. For if the US can really avoid recession for another four years, the supply side may be proved right.

But whatever one thinks of the New Age jargon, there are some serious macroeconomic and political aspects of the supply-side resurgence. First and foremost, the moderation of US wages has opened up the genuine possibility that the natural rate of unemployment may be much lower than people previously thought.

Secondly, the supply side's political influence is almost certain to be revived if the present benign economic environment persists until November.

When Mr Bush repeatedly tells the American electorate that he will never raise taxes he almost certainly means it. For if the US can really avoid recession for another four years, the supply side may be proved right.

no further fiscal sacrifices required.

A Bush Administration's fiscal plans, in other words, would be identical to those of President Reagan. Mr Bush's opponents will doubtless dub his born-again supply-side creed as Voodoo Economics Mark Two.

The following statistics are due for release this week, along with the market's expectations as surveyed on Friday by Money Market Services of Redwood City, California:

- Retail sales in June (Thursday) should be up 0.6 per cent, with estimates ranging from minus 0.5 to plus 1.3 per cent.
• Trade figures for May (Friday 8.30am) should show a seasonally adjusted deficit of \$11bn, with a range of \$9bn to \$12.8bn.
• Freshman price index for June (Friday 8.30am) should be up 0.5 per cent, with a range of 0.1 to 0.7 per cent.
• Industrial production (Friday 9.15am) should be up 0.4 per cent. The range is 0.2 to 0.8 per cent.
Anatole Kaletsky

US MONEY MARKET RATES (%)

Table with columns: Instrument, Last Friday, 1 week, 1 month, 3 month, 6 month, 12-month, 12-month Low. Includes Full Funds (weekly average), Three-month Treasury bill, Six-month Treasury bill, etc.

US BOND PRICES AND YIELDS (%)

Table with columns: Instrument, Last Friday, Change, Yield, 1 week, 4 wk. Includes Seven-year Treasury, 20-year Treasury, etc.

NRI TOKYO BOND INDEX

Table with columns: Instrument, 8/78, 1 week, 12 wk, 26 wk. Includes Overall, Government Bonds, Municipal Bonds, etc.

Source: Salomon Bros (estimated). Source: Naima Research Institute. Estimated per yield.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Country, Instrument, Price, Yield, etc. Includes entries for Australia, Canada, France, Germany, etc.

Advertisement for H. J. Heinz Company. Features the Heinz logo and text: 'H. J. Heinz Company', '\$100,000,000 12 3/4 per cent. Notes due 1991', 'Issue Price 101 3/4 per cent.', and lists various international banks like SBCI Swiss Bank Corporation, Citicorp Investment Bank, Rabobank Nederland, etc.

STRAIGHT BONDS: Yield to redemption of the 100% price. Amount listed is expressed in million of currency units except for 7-year bonds, where it is in billions. CONVERTIBLE BONDS: US Dollars unless indicated. Margin shows the current effective price of buying shares via the bond over the best recent share price. WARRANTS: Equity warrant premium - exercise premium over current share price. Bond warrant ex-yield - exercise yield at current warrant price. Closing prices on JULY 8TH. © The Financial Times Ltd, 1988. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

George Graham on the latest Moët Hennessy Louis Vuitton deal LVMH drinks to new shareholders

MR ALAIN CHEVALIER, chairman of LVMH Moët Hennessy Louis Vuitton, was weary but relieved on Friday night after completing the financial deal that settles his company's shareholding structure and puts an end to weeks of internal discussion.

"A company cannot operate if its capital is not stable. In the last two months I have missed three journeys abroad because of this business and 10 strategy meetings. I must be able to get on with my work," he said.

The operation, which brings Agache, the fashion and retail company, to the LVMH's principal shareholder in association with Guinness, the UK drinks group, as well as giving the French cognac, champagne and luxury goods conglomerate a 10 per cent stake in Guinness, should allow Mr Chevalier to get back to running the shop.

The shop needs minding, for LVMH, brought together last September by a merger of the Moët Hennessy drinks concern with the Louis Vuitton luxury luggage company, is currently expanding actively both on its traditional activities and through acquisition.

The 60 per cent explosion in Louis Vuitton luggage sales this year, based on heavy Far Eastern demand, has surprised even Mr Henry Racamier, the 76-year-old vice-chairman of LVMH and head of its Vuitton arm, and is raising agonising investment questions both for the company and for its suppliers.

Meanwhile, the group has in the last month signed an agreement to buy the Givenchy fashion house - it already owns Givenchy perfumes - besides acquiring the distinguished Burgundy wine merchant and grower Leroy, distributor of the famous Romanée Conti wine.

In an enterprise growing at this rate, there should be enough

to do to keep everyone busy. So why have the last two months been spiced with reports of boardroom battles between the drinks faction, headed by Mr Chevalier, and the luxury goods clan, comprising Mr Racamier and the Vuittons, not to mention the ominous shadow of potential predators - Agache or others more menacing still?

For Mr Bernard Arnault, chairman of Financière Agache, the roots of the unrest go back to the battle earlier this year for Martell, the family-controlled cognac house which was eventually bought by Seagram, the Canadian drinks group, after a long and acrimonious battle with Grand Metropolitan, its UK rival.

"After Martell, I think there was a growing awareness among the family shareholders of the problems that could be posed for a company like theirs in the face of the appetites of other drinks groups or purely financial investors," he said.

Although Mr Chevalier himself avoids direct criticism of his associate, others in his camp openly blame Mr Racamier, even accusing him of the ultimate crime: dealing with the enemy in the shape of GrandMet.

Mr Racamier, for his part, says his only disagreement with Mr Chevalier was over how big a stake Guinness should take in LVMH as a concrete seal on the existing joint distribution agreements between the two companies.

"I was altogether in favour of the entry of Guinness into our capital, but I thought 20 per cent was a lot, especially for a foreign company. In the interest of preserving a balance between the drinks side of the business and the luxury side, I wanted another investor, preferably French and preferably in the luxury business. That is what we now have," he said on Friday.

The deal put together on Friday appears to have restored unanimity. Lazard Frères, architects with Faribab of the original LVMH merger, can claim sole credit for this operation, with Mr Bruno Roger advising Mr Chevalier and Mr Antoine Bernheim counselling Mr Arnault. Mr Marcus Agius of Lazard Brothers in London is working with Guinness.

The shareholding tripod, after all outstanding warrants are exercised, gives Agache and Guinness in association 24 per cent of LVMH - a stake they expect to raise to around 30 per cent - the Vuitton family about 20 per cent, and the various families that made up Moët Hennessy around 11 per cent.

The operation is an important consolidation of LVMH's links with Guinness on the wines and spirits side, for the joint distribution ventures now account for about 25 per cent of Guinness's profits and considerably more of LVMH's.



Alain Chevalier: avoids criticism of associate

On LVMH's luxury goods side, the industrial implications are less clear. If Mr Racamier believes the co-operation between Christian Dior perfumes, owned by LVMH, and Christian Dior fashion, owned by Agache, can now accelerate, Mr Chevalier sees no urgency.

Now it is clear how there can be any direct industrial co-operation between LVMH and Agache on their other luxury brands.

"In the luxury industry you can create the circumstances for co-operation, but businesses must stay very independent," comments Mr Arnault, while noting that a salesman who can offer brands like Vuitton and Givenchy from the LVMH side, together with Dior, Céline and Christian Lacroix from Agache, will be in a strong position to obtain the best sites in department stores or other retail outlets.

Mr Arnault himself may turn out to be the long-term victor in the battle. Other participants have presented the deal as muzzling a potentially hostile investor by teaming him with Guinness and obtaining his commitment not to try to break up the LVMH combine.

The Agache camp puts a more bullish gloss on the operation, noting that Mr Arnault has 60 per cent of the joint Guinness-Agache holding, and thus becomes LVMH's leading shareholder while getting the UK drinks company to help finance his FF1.6bn investment.

Mr Arnault has in the past six months shed Agache's heavy industrial operations, with the sale of Peaudouce nappies to Molnlycke of Sweden and of its textile operations to the French group Fronvoet, leaving Dior, Céline, Lacroix and the Conformation and An Bon Marché retailing operations. At 29 years of age he now looks well placed in LVMH.

St Louis takes stake in French paper group

By George Graham in Paris

ST LOUIS, the French sugar group forced earlier this year to abandon its ambitions to become a giant in the food industry, has turned its attentions to the paper sector.

The company has declared a stake of more than 20 per cent in Arjomari-Frionx, the leading French paper group, and is expected to take more than 30 per cent of Arjomari by backing the latter's takeover bid for Guermand-Voiron, another French paper maker which specialises in self-copying paper.

St Louis will provide a cash offer of FF560 (\$81.8m) a share as an alternative to Arjomari's paper bid for Guermand, undertaking subsequently to pass these shares to Arjomari.

The stake in Arjomari has been built up by purchases in the market, but principally by the acquisition of the 16.6 per cent stake held by Pechelbrom, the Worms Group holding company.

Worms is also the principal shareholder in St Louis.

Mr Bernard Dumon, chairman of St Louis, had originally hoped to construct a major food group after merging his company with Lesieur, the cooking oils and household products group.

But after selling off Lesieur's cleaning products division, Cotelle, to the West German group Henkel, Mr Dumon was greenlighted into selling its main cooking oil operation to Mr Raul Gardini's Ferruzzi group.

Although St Louis retains the William Saurin canned foods and Royal Champignon mushroom business, and in May bought Corey, the leading French frozen food producer, from Orléans-Cabry, Mr Dumon has said that other opportunities for acquisitions in this sector are too rare.

The acquisition of a large stake in Arjomari gives St Louis three major industrial activities broadly equal in weight - sugar, paper and foodstuffs - as well as a financial arm consisting of FF200m in treasury resources and the company's 8 per cent stake in BSN, the leading French foods group.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Avg. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Mutou Co.♦♦	50	1993	3	4 1/4	100	Nomura Int.	4.250
Nippon Steel♦♦	600	1992	4	3 3/4	100	Nomura Int.	3.250
NHK Spring Co.♦♦	100	1993	5	4 1/2	100	Nomura Int.	4.250
Diessel Kiki♦♦	120	1993	4	4 1/2	100	Nomura Int.	4.250
Sanyo Special Steel♦♦	100	1993	4	4 1/2	100	Yamachi Int.(Eur)	4.125
Nippon Yakin Kogyo♦♦	70	1993	4	4 1/2	100	Nomura Int.	4.125
Nippon Yusen KK♦♦	200	1993	5	4	100	Yamachi Int.(Eur)	4.000
Nippon Yusen KK♦♦	100	1995	7	4 1/2	100	Nikko Secs (Europe)	5.250
Nippon Synthetic Chem♦♦	60	1993	4	4 1/2	100	Yamachi Int.(Eur)	4.250
Tokai Corp.♦♦	50	1993	3	4 1/2	100	Nikko Secs (Europe)	4.250
Nippon Electric Glass♦♦	120	1993	3	4 1/2	100	Dalwa Europe	4.125
Nichi Ltd.♦	100	1992	4	(3) 1/2	100	Nomura Int.	*.25
Topo Tire & Rubbers♦	100	1993	4	(4) 1/2	100	Yamachi Int.(Eur)	*.
Stoppbank♦	50	1991	4	(4) 1/2	101 1/2	Nomura Int.	*.
Telefonica de Espana♦♦	200	2003	15	4	100	Warburg Securities	4.000
Sekisui Plastice♦♦	50	1993	5	(4) 1/2	100	Nikko Secs (Europe)	*.
Mitsubishi Cable Ind.♦	120	1993	5	(4) 1/2	100	Nikko Secs (Europe)	*.
Finnish Export Credit♦	150	1990	8	8 1/2	101.025	Nomura Int.	8.050
Sumitomo Cement♦	100	1992	4	(3) 1/2	100	Nomura Int.	*.
Denmark♦	600	1991	2 1/2	8 1/2	101.175	CSFB	8.172
American General♦	100	1991	3	8 1/2	101 1/2	CSFB	8.387
Italy♦	100	1993	3	9	101.175	CSFB	8.700
Mitsubishi Trust Co.♦	100	1991	3	9	101 1/2	Goldman Sachs	8.511
C. Itoh Fuel Co.♦	70	1993	5	(4) 1/2	100	Nikko Secs (Europe)	*.
Vishay InterTechnology♦	50	2003	15	4 1/2	100	Salomon Brothers	4.750
Thermo Instr. Systems♦	90	2003	15	6 1/2	100	Orexi/Shearson L'man	6.750
Rysstad♦	150	1992	5	(4) 1/2	100	Oriwa Europe	*.
Nankai Elec. Railway♦	100	1992	4	(3) 1/2	100	Nomura Int.	*.
Yasuda Trust & B'ings♦	100	2003	15	(2) 1/2	100	Yasuda Trust Europe	*.
CANADIAN DOLLARS							
American General♦	125	1991	3	10	101 1/2	Goldman Sachs	9.502
AUSTRALIAN DOLLARS							
TNT Pacific Finance♦	175	1998	10	9	100	Salomon Brothers	9.000
D-MARKS							
Eurofima♦	400	1998	10	6 1/2	100 3/4	Deutsche Bank	6.164
Thailand♦	200	1993	5	5 1/2	100 1/4	Commerzbank	5.721
Deutsche G'zentrale♦	150	1993	5	5 1/2	100 3/4	Deutsche G'zen.Kbk	5.325
SWISS FRANCS							
Osaka Elec. Railway♦♦♦	50	1993	-	4	100	SBC	0.250
Nitto Chemical Ind.♦♦♦	60	1993	-	4	100	UBS	0.250
Kinki Ltd.♦♦♦	50	1993	-	4	100	SBC	0.250
African Dev. Bank♦	150	1996	-	5	100 1/4	UBS	4.951
Cent. B'v♦	125	1993	-	(3)	100	War.Soditic/Shearson	*.
Tabal Esport Corp.♦♦♦	35	1993	-	(5)	100	Bank Leu	*.
Mitsubishi Co.♦♦♦	50	1993	-	(4)	100	SBC	*.
EIB♦	150	1994	-	4	100 1/2	Bank Leu	4.053
Ind. Cr. & Inv. Crp. India♦	80	1995	-	5 1/2	100 1/2	SBC	5.163
World Bank♦	150	2003	-	5	100 1/4	Credit Suisse	4.976
Hony Medical Co.♦♦♦	12	1993	-	4 1/2	100 1/2	Fuji Bank (Schweiz)	4.472
Yasuda Tst & B'ings♦♦	100	1992	-	(1) 1/2	100	Credit Suisse	*.
STERLING							
Alliance & Leicester♦	50	1998	8	(9)	100	Merrill Lynch	-
ECUs							
Total♦	50	1993	5	7 3/4	101 1/2	Commerzbank	7.257
FRENCH FRANCS							
Michelin♦	1.5bn	1998	9 1/2	6	100	Banque Paribas	6.000
LIRE							
EIB♦	150bn	1996	8	10 1/4	101 1/2	B.Comm. Italiana	10.464
PESETAS							
World Bank♦	10bn	1998	10	10 1/4	100	Bilbao Merchant Bank	10.625
YEN							
Bergen Bank (b)♦	5bn	1993	5	10 1/2	101 1/2	Nippon Credit Int.	-
Montreal Trust Co.♦	5bn	1993	5	(6)	101 1/2	Merrill Lynch	-
Kansai-Osaka-P♦♦♦	5bn	1992	4	10 1/2	101 1/2	Mitsubishi Trust Int	-
Kansai-Osaka-P♦♦♦	5bn	1992	4	50 1/2	101 1/2	Mitsubishi Trust Int	-
Sparekassen SOS♦	5bn	1993	5	(7)	100.10	LTCSB Int.	-

Montupet plant creates 600 jobs

By Robert Gibbons in Montreal

MONTUPET, THE French car parts maker, is building a \$112m (US\$83m) engine castings plant on the Quebec-Ontario border, with a staff of more than 600.

Both the Federal and Quebec Governments are providing financial aid. The new plant will compete in the North American market.

Poulenc raises FF5.54bn in new capital

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

RHONE-POULENC, the French state-owned chemicals group, has raised about FF5.54bn (\$830m) in new capital through the issue of what it calls perpetual subordinated capital notes.

The issue, arranged by Merrill Lynch International, was placed with more than 75 international institutional investors.

According to Rhône-Poulenc, the "highly innovative" transac-

tion involves the issue of perpetual notes by the company, which are purchased and repledged by Merrill Lynch, and privately placed as a 15-year investment. The statement is not explicit about how this is accomplished, but it is thought to involve the use of zero-coupon bonds.

Rhône-Poulenc will pay a margin over Libor that, according to its statement, "reflects the per-

BANCO DI SANTO SPIRITO

FOUNDED IN 1605 Registered and Head Office in Rome

1987 BALANCE SHEET

Assets	(lire billion)	Liabilities	(lire billion)
• Cash & Funds with Central Bank	2,220.5	• Capital, other funds, profit brought forward	1,034.1
• Securities & other holdings	5,855.1	• Third parties funds	19,125.9
• Portfolio, lending to customers and contango loans	11,430.8	• Provisions & other funds	319.5
• Other	2,549.2	• Other	1,529.5
• Contra accounts	31,144.0	• Net profit for the year	46.6
	53,199.6	• Contra accounts	31,144.0
			53,199.6

The Meeting of Shareholders - held in Rome under the chairmanship of Dr. Rodoifo Rinaldi, - has approved the balance sheet at 31st December 1987 which, after appropriations to provisions and other funds of lire 190.1 billion, closes with a profit of lire 46.6 billion. The Meeting, having heard the report of the Board of Directors and the comments offered by the Managing Director Avv. Elio Tartaglia, resolved to increase reserves by lire 25 billion and to pay lire 21 billion to the Shareholders. Following such resolutions, capital and other funds of the Bank amount to lire 1059.4 billion. Funds administered amount to lire 19,100 billion, of which lire 11,929 from Customers, an increase of 8.3%. Total lending equals lire 11,430 billion. Customer lending, within the ceiling fixed by the monetary authorities, increased to lire 5,873 billion (+ 2.7%). Contingent liabilities grew by 22.6% to lire 1,852 billion. International activity has again shown a remarkable growth; liabilities and assets in foreign currencies grew respectively by 39.1% and 26.8%. On a consolidated basis with Banco di Santo Spirito (Luxembourg) S.A., foreign currency deposits reached US\$ 6.2 billion. In January 1987 the Padova branch was opened, and the Modena one will be opened shortly, together, within the year, with New York.

This announcement appears as a matter of record only.

Elders IXL (Finance) PLC

Elders IXL Treasury (Aust.) Limited

as Issuers

Guaranteed by

Elders IXL Limited

U.S. \$500,000,000

Euro-Commercial Paper and Sterling Commercial Paper Programme

Dealers for Euro-Commercial Paper:

Bank of America International Limited Chase Investment Bank

Citicorp Investment Bank Limited Credit Suisse First Boston Limited

Societe Generale

Dealers for Sterling Commercial Paper:

Barclays de Zoete Wedd Limited County NatWest Limited

Samuel Montagu & Co. Limited

Issuing and Paying Agent:

The Chase Manhattan Bank, N.A.

Arranger:

Chase Investment Bank

May, 1988

SOCIETE GENERALE
 "Société Générale"
 Capital: 12,000,000,000
 Head Office: 29, boulevard Haussmann - 75009 PARIS - FRANCE
 Correspondent Bank: PARI 50 152 152

1- The General Meeting of the holders of step-up notes (1987-1992) in issue by SOCIETE GENERALE, held on June 27, 1988, has appointed:

- as permanent representatives:
 - M. Germain BERLAND, 97, rue Saïto-Roch - 75001 PARIS (France).
 - M. Jean-Luc DE LAUNE, 6, rue de Valenciennes - 75013 PARIS (France).
- as substitute representatives:
 - M. Michel HERISSART, 11, rue de la Tourville - 75002 L'ETANG-LA-VILLE (France).
 - M. Paul BOYER, 4, place du Colonel - 97330 YERRES (France).

2- The General Meeting of the holders of 8% notes (1987-1992) in starting point issued by SOCIETE GENERALE, held on June 27, 1988, has appointed:

- as permanent representatives:
 - M. Michel HERISSART, 11, rue de la Tourville - 75002 L'ETANG-LA-VILLE (France).
 - M. Paul BOYER, 4, place du Colonel - 97330 YERRES (France).
- as substitute representatives:
 - Mrs Nancy TETELBAUM, 8, rue de la Païly Blanche - 75013 PARIS (France).
 - M. Germain BERLAND, 97, rue Saïto-Roch - 75001 PARIS (France).

The Board of Directors

WARDLEY GLOBAL SELECTION
 Société d'Investissement à Capital Variable
 2, boulevard Royal, Luxembourg
 R.C. Luxembourg B - 29997

Notice is hereby given to the shareholders, that the ANNUAL GENERAL MEETING of shareholders in WARDLEY GLOBAL SELECTION will be held at the company's registered office, 2, boulevard Royal, Luxembourg, on Friday, 29th July, 1988 at 11:00 a.m. for the purpose of considering and voting upon the following agenda:

1. Submission of the reports of the Board of Directors and of the Statutory Auditors;
2. Approval of the Statement of Net Assets at March 31st, 1988 and of the Statement of Operations for the year ended March 31st, 1988; allocation of the profits;
3. Discharge of the Directors and the Statutory Auditors;
4. Receipt of and action on nomination of the Directors and the Statutory Auditors;
5. Miscellaneous.

The shareholders are advised that no quorum is required for the items of the agenda of the annual general meeting and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to attend the meeting of July 29th, 1988 the owners of bearer shares will have to deposit their shares six clear days before the meeting at the registered office of the Company or with the following banks:

- Banque Internationale de Luxembourg
- 2, boulevard Royal LUXEMBOURG
- The Hong Kong and Shanghai Banking Corporation
- Rue de Rivoli 22 CH-1204 GENEVA
- The Hong Kong and Shanghai Banking Corporation
- P.O. Box 313, Hong Kong Branch Building, Grenville Street, St. Helier, Jersey.
- The British Bank of the Middle East, London
- Geneva Branch
- Rue de Rivoli 22 CH-1204 GENEVA

THE BOARD OF DIRECTORS

UK COMPANY NEWS

Ellis bid moving towards resolution

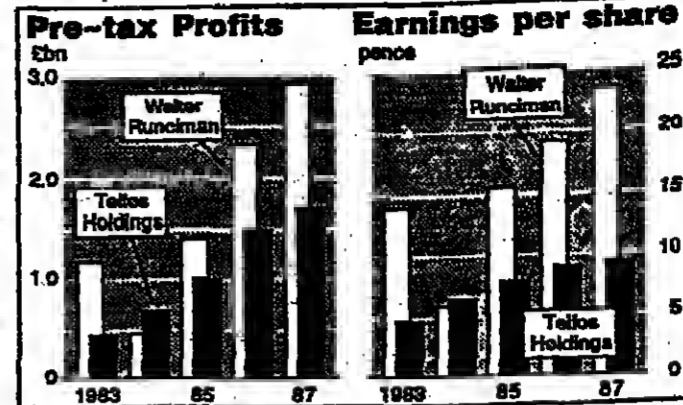
BY NIKKI TAIT
Ellis & Goldstein is expected to put out a statement later today, concerning the £41m contested cash bid from fellow clothing group, Berkertex Holdings.

US stake in NEI offshoot

BY NIKKI TAIT
Combustion Engineering, the Connecticut-based process engineering group, is buying a 35 per cent interest in Derby-based International Combustion, previously a wholly-owned subsidiary of Northern Engineering Industries.

Fiona Thompson looks at the £27.4m offer by Telfos for Walter Runciman Unwelcome suitor rocking the boat

IT IS a classic fight. In one corner the tall, patrician figure of the Honorable Walter Garrison Runciman, fellow of Trinity College, Cambridge and chairman of the business founded 101 years ago by his great grandfather, the first Lord Runciman, tramp ship owner.



the acquisition of the John Tam safe making business, was not without problems, especially by the early 1980s. "There was overcapacity in the market and Runciman was producing too much of the wrong thing," says Mr Mark McVicar, shipping analyst at County NatWest.

Dukeminster for market

BY NIKKI TAIT
Dukeminster, a holding company for the Shohet family's UK commercial property interests, has announced that it intends to come to the main market via a placing at the end of July.

Peachey stake

S. G. Warburg, merchant bank advisers to property group Peachey, said yesterday that they were aware of some persistent buying of their client's shares last week but suggested that if any stake had been amassed, it would probably be nearer the five per cent - rather than the 10 per cent suggested in the week-end press.

Whinney falls

Following the warning given in April, profits of Whinney Mackay-Lewis fell to £740,000 in the year ended April 30 1988. This compares with an adjusted £886,000 for the previous eight months.

Evans of Leeds

Evans of Leeds, property investor and developer, raised its pre-tax profit from £5.62m to £6.31m in the year ended March 31.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition: A & M Group 10% Conv. 1988 (Section: Leisure).

Baker Harris

Baker Harris Saunders, real estate and property adviser, returned a pre-tax profit of £3.42m for the year to April 30. The result was incorrectly stated on these pages on Thursday.

PENDING DIVIDENDS

Table listing pending dividends for various companies including A&M Group, Baker Harris, and others, with columns for Date, Announcement, and Dividend.

OPTIM GROUP PLC
PLACING BY CONTINENTAL SECURITIES (U.K.) LIMITED of 4,000,000 Ordinary Shares of 10p each at 60p per share payable in full on application

BEP rises 31%

The Bristol Evening Post saw profits before tax rise 31 per cent from £4.65m to £6.08m for the year ended March 31.

BOARD MEETINGS

Table listing board meetings for various companies including Commercial Union, Baxi, and others, with columns for Date and Company Name.

Clyde Blowers

After taking account of £66,000 redundancy costs Clyde Blowers, maker of steam and soot blowing equipment, saw pre-tax profits fall from £24,080 to £22,000 in the six months to February 29.

YOGOKAWA ELECTRIC CORPORATION

dfls. 100,000,000 3 3/8 per cent. convertible notes due 1990 subscribe for shares of common stock of Yokogawa Electric Corporation

The Council of Europe Beside Investment Fund
Interest Rate: 4 1/8% per annum
Interest from July 11, 1988, to Jan. 11, 1989

EVANS OF LEEDS PLC
PROPERTY INVESTMENT GROUP
Pre-tax profit up to £6.31 million (£5.62 million)
Final Dividend up to 3.5p (3.125p)

The Hongkong and Shanghai Banking Corporation
U.S. \$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Lloyds Eurofinance N.V.
£50,000,000 Guaranteed Sterling/US Dollar Floating Rate Notes due 1990

Yogokawa Electric Corporation

You are hereby notified that, as a result of a free distribution of shares of common stock of Yokogawa Electric Corporation to the shareholders of record as of 30th June, 1988, Japan time, at the rate of 0.11 shares for each share held, the subscription price of the above-captioned warrants will be adjusted pursuant to condition 7 of the warrants under the instrument dated 10th August, 1987 from yen 1,340 to yen 1,207.2 per share, effective as from 1st July, 1988, Japan time.

MATUSCHKA & PARTNER AG
Asset Management Zurich
has acquired 100% of PALLERGA TRUST COMPANY SA
Asset Management Geneva

The Kingdom of Belgium
Tranche A: U.S. \$150,000,000 Floating Rate Notes Due 1996
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 11th July, 1988 to 11th January, 1989 the Notes will bear interest as follows:

ROYAL TRUSTCO LIMITED
Yen 12,000,000,000 Reverse Dual - Currency Debentures Due 1992
Notice is hereby given that the Rate of Interest has been fixed at 15.01665% and that the interest payable on the relevant interest Payment Date October 7, 1988 against Coupon No. 3 in respect of Yen 10,000,000 nominal of the Notes will be NZ\$1,677.60.

Prestwick
Prestwick Holdings plc
(incorporated in England and Wales under the Companies Acts 1948 to 1980)
Registered No. 1359178
Placing and Open Offer of 3,010,306 7% per cent. Convertible Cumulative Redeemable Preference Shares of £1 each at par

BANK OF NEW ZEALAND
Cayman Islands Branch
NZ \$425,000,000 Floating Rate Notes 1992
For the three months 8th July, 1988 to 10th October, 1988 the Notes will carry an interest rate of 14.24091 per cent. per annum.

FINANCIAL TIMES STOCK INDICES
Table with columns for Date, Government Secs., Fixed Interest, Ordinary, Gold Mines, FT-Act All Share, FT-SE 100, and Stock Compilation.

MANAGEMENT

Telecommunications

A fallen star seeks to regain the firmament

David Owen examines the strategy of Mitel, BT's loss-making Canadian subsidiary

LITTLE MORE than a year ago John Jarvis, a trim, affable, Oxford-educated mathematician, was running the most profitable division of FA International Consulting Services, a successful London-based consultancy. Today, he is attempting to pilot Mitel, the fallen star of the Canadian high technology firmament, back to profitability after four years in the financial doldrums. "I have always been something of a risk-taker," he says when asked to explain this somewhat improbable career decision.

Just how big a risk-taker is revealed by a glance at the lamentable recent track record of the company based at Kanata, near Ottawa. Since 1983 - when it last turned in a profit - Mitel has lost more than C\$300m. Although the British Telecom (BT)-controlled private branch exchange (PBX) manufacturer scythed net losses in its latest financial year to March 25 to C\$24.3m from C\$61.5m, further progress will not be made lightly in the still ferociously competitive current PBX market.

Last September, for example, the firm was forced to slash unit prices by up to 20 per cent. This has left the company in what Jarvis terms "the ironic situation of selling more products but getting fewer dollars."

Jarvis, who was billed at the time as "a successor with telecommunications background", he was credited with bringing the company's operations under control and stabilising its financial situation. But BT now privately acknowledges that Mitel is taking longer to turn round than it originally anticipated.

The headline-grabbing redundancies in March were widely interpreted as an indication that BT's patience was wearing decidedly thin.

None the less, Jarvis continues to resist the "quick fix" approach to achieving profitability. There is a difference between getting there by scything R&D expenditure and selling assets, as opposed to addressing fundamental issues and ensuring viability over the medium to long term, he maintains.

According to Jarvis, the recent lay-offs are just one part of a multi-pronged blueprint designed to assure the company's long-term health. In a nutshell, his approach will be better to exploit the BT connection and the company's extensive 100,000-strong installed base in order to capitalise on potentially rewarding niches in the rather sluggish PBX marketplace.

Although the PBX sector in North America may be flat, Jarvis says that telecommunications markets as a whole are clearly expecting significant growth. "We have to be able to build on what we have got to exploit new opportunities."

While he looks for such opportunities, Jarvis has wasted no time in revamping the firm's senior management structure. Nine managers, including the respective heads of the company's semiconductor and telephone manufacturing units, now report directly to him. They include recent recruits from Northern Telecom, Plessey Telecommunications and Polysar, the Canadian petrochemicals producer.

The appointment of Robert Dyer as senior vice president responsible for worldwide PBX marketing and sales has been particularly well received externally. "We have to become more active in selling products," says

The spectacular nature of Mitel's fall from grace is matched only by its astonishing initial success. The company doubled earnings every year from 1973-79, but it has been loss-making since 1984. None the less John Jarvis (right) continues to resist the "quick fix" approach



as in the Third World. Selecting and exploiting given geographical areas where faster-than-average growth is expected is another method by which Jarvis is seeking to sidestep the general flatness in the PBX arena.

Clearly, this is one way in which the BT link could prove to be an invaluable asset. "We have the products; they have the channels," as Jarvis puts it.

Not surprisingly, Europe, which is set for steady if unspectacular sales growth of some 16 per cent over five years, according to a recent Logica report, figures large in the company's ambitions.

Excluding the UK, the Continent accounts for less than 5 per cent of Mitel's overall sales. Italy, West Germany and Scandinavia have been singled out as particularly happy hunting grounds.

"The UK (where 25 per cent of Mitel's revenues are generated) was to the fore in replacing its installed base," Jarvis points out. But that is now coming to a close. Some other countries like Italy have been lagging behind."

Certainly Sweden would appear to present a distinct window of opportunity for foreign manufacturers. Televeter's long-standing PBX monopoly stands to be abolished by the end of the decade and some 60 per cent of small companies (Mitel's traditional strength) are still using outdated analog equipment.

The company has also been encouraged by the SX-50's success in securing regulatory approval to install the equipment in West Germany at the first time of asking. "The interesting thing about Europe is 1982," concludes Jarvis. "As Europe becomes a single market, we foresee a subtle shift (in Mitel's concentration of sales) from the UK to continental Europe."

In addition to the obvious initial tonic to Mitel's balance sheet, the BT tie-up is also aiding the Canadian company by providing a wide-ranging product and technology resource in fields like fibre optics, which it can tap into when bidding for business, and by occasionally placing specialised senior staff at its disposal for short periods.

A further fillip has been provided by a BT commitment to provide C\$60m over three years for a SX-2000-related research and development programme. In the most recent financial year, this enabled Mitel to reduce its own R&D expenditure by a hefty C\$17.5m.

The added value of guarantees

Michael Skapinker explains how service companies can benefit themselves and their customers

BUGS BURGER BUG Killers, a Miami-based pest extermination company, offers an unusual guarantee. Not only will it give dissatisfied customers a refund - it will also pay for the job to be done by an extermination company of the customer's choice.

Few service companies are prepared to go as far as BBBK. Many offer no guarantees at all, claiming that they are only appropriate for manufactured goods.

"It is one thing to guarantee a camera, which can be inspected before a customer sets eyes on it and which can be returned to the factory for repair. But how can you pre-inspect a car tune-up or send an unsuccessful legal argument or had haircut back for repair? Obviously you can't," says Christopher Hart, an assistant professor at Harvard Business School.

Hart argues, however, that this does not mean that guarantees can never be used in the service industries. The delivery company Federal Express, for example, undertakes that goods will arrive at their destination "absolutely, positively by 10.30 am."

Writing in the latest edition of the Harvard Business Review, Hart says that by offering guarantees, service companies can gain a significant advantage.

Guaranteeing a service encourages the company to try to find out what the customer wants. It also enables the company to set clear standards of performance for its managers and staff. If the company guarantees delivery within three days, then salespeople know that is what they can promise their customers.

A guarantee generates customer feedback. Many customers do not complain about service standards because their grievance is often so difficult to prove. "The customer believes the waiter is rude; perhaps the waiter will deny it," says Hart.

This absence of complaints does not help service companies in any way. The customer simply goes to a competitor, leaving the first company with no real idea of why it lost the business. An additional problem is that the customer might not know to whom to complain. "Often, complaining directly to the person who is rendering poor service will only make things worse," Hart says. By offering a guarantee - for example that all restaurant customers will be served within 15 minutes and with cour-

tesy - companies give customers both a standard by which to judge them and an indication that senior management will take their complaint seriously.

A guarantee can also assist the company's marketing. Promising dissatisfied customers some redress helps to reduce the risk they take in deciding to purchase the company's service. It also helps build customer loyalty.

To be effective, Hart says, service company guarantees need to be properly thought out. A good guarantee has five characteristics:

- It is unconditional. Customers should not need a lawyer to explain the guarantee to them. "A service guarantee loses power in direct proportion to the number of conditions it contains," Hart says. He approvingly describes a retail and mail order organisation in Maine which guarantees "100 per cent satisfaction in every way." Customers can return goods at any time and receive their choice of a replacement, refund or credit.
- A good guarantee is easy to understand and communicate. The company should be precise about what it is promising: "service within five minutes" rather than "prompt service".
- The guarantee should address those aspects of service which are important to the customer. Hart cites a restaurant chain which promises service within 15 minutes at lunchtime, when customers are in a hurry. The chain does not make the same offer at less-buried dinner time.
- Dissatisfied customers should be offered significant compensation. "The pay-out," Hart says, "should be large enough to give customers an incentive to invoke the guarantee if they are dissatisfied."
- The guarantee should be easy to invoke and the payout should be easy to collect. "A customer who is already dissatisfied should not have to jump through hoops to invoke a guarantee; the dissatisfaction is only exacerbated when the customer has to talk to three different people, fill out five forms, go to a different location, make two telephone calls, send in written proof of purchase with a full description of the events, wait for a written reply, go somewhere else to see someone to verify all the preceding facts, and so on," Hart says. *HBR, PO Box 25, 3950 AA Maastricht, The Netherlands. Reprint 88465.*

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trst Mgmt Ltd, Abstract Management Ltd, and others, with columns for name, type, and other details.

Table listing unit trusts under the heading 'Bank of Ireland Fund Mgmt Ltd' and 'British American Unit Trusts', including names like Bank of Ireland and British American.

Table listing unit trusts under the heading 'British American Unit Trusts' and 'Capital Fund Managers Ltd', including names like British American and Capital Fund Managers.

Table listing unit trusts under the heading 'Capital Fund Managers Ltd' and 'Charmers/Charmers Ltd', including names like Capital Fund Managers and Charmers/Charmers.

Table listing unit trusts under the heading 'Charmers/Charmers Ltd' and 'City Financial Services Ltd', including names like Charmers/Charmers and City Financial Services.

Table listing unit trusts under the heading 'City Financial Services Ltd' and 'City Financial Services Ltd', including names like City Financial Services.

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Table listing unit trusts under the heading 'City Financial Services Ltd' and 'City Financial Services Ltd', including names like City Financial Services.

I.G. INDEX LTD, 9-11 GROSVENDR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IGIO.

Prices taken at 5pm and change is from previous close at 9pm.

JOTTER PAD: A grid for writing answers to the crossword puzzle.

FT CROSSWORD No.6,678 SET BY HIGHLANDER

Crossword puzzle grid with numbers indicating starting positions for clues.

- ACROSS: 1 The charm of getting married next to raccourse (8), 2 Approval is given by society; I cannot go wrong (8), 3 Exaggerate frequency of delirious (3), 4 Fixed point in stronghold (8), 5 Note sounded by male vocalist (6), 6 Fatist loss of electrical power (8), 7 Get to grips with equipment (6), 8 Distillation equipment is the answer (6), 9 Battery provides small group of people with power source (6), 10 Pocket what's been staked already (6), 11 Displays left in ship (6), 12 Go after organ's range of perceived sound (7), 13 Storm damage? (6), 14 You'd ask in vain to have travel over snow included (8), 15 Live on not much and get run down (8), 16 Would rather give promotion (6), 17 Get free: when outside look for piece of meat (6), 18 Displays left in ship (6), 19 Nest part of famous, church part certainly (6), 20 She's put some publicity in for curtains (6), 21 Hair is inferior to thick padded material for bedding (6).

Table listing unit trusts under the heading 'City Financial Services Ltd' and 'City Financial Services Ltd', including names like City Financial Services.

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GUIDE TO UNIT TRUST INVESTING: A section providing information on how to invest in unit trusts, including details on cancellation prices and forward prices.

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FT UNIT TRUST INFORMATION SERVICE

Handwritten note: July 11 1988

INSURANCES

Main table containing financial data for various insurance and unit trust companies, including names, addresses, and financial metrics.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts with their respective details.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for Name, Price, Yield, and other metrics. Includes sub-sections like 'MANAGEMENT SERVICES' and 'OFFSHORE AND OVERSEAS'.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

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Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, and other details.

Table of Other Offshore Funds, listing various offshore investment funds with columns for Name, Price, and other details.

BRITISH FUNDS

Table of British Funds, listing various British investment funds with columns for Name, Price, and other details.

BRITISH FUNDS - Contd

Continuation of British Funds table, listing various British investment funds.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing various international bonds and rail investments.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues, listing various international securities.

CORPORATION LOANS

Table of Corporation Loans, listing various corporate loan investments.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans, listing various international loan investments.

LOANS

Table of Loans, listing various loan investments.

AMERICANS

Table of American Investments, listing various US-based investment funds.

Public Board and Ind.

Table of Public Board and Index, listing various public board and index investments.

Financial

Table of Financial Investments, listing various financial investment funds.

Money Market

Table of Money Market Investments, listing various money market investment funds.

Trust Funds

Table of Trust Funds, listing various trust investment funds.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing various bank account investment options.

UNIT TRUST NOTES: Additional information and notes regarding the unit trust services.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for Name, Price, Div, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for Name, Price, Div, and other financial metrics.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for Name, Price, Div, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for Name, Price, Div, and other financial metrics.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and road stocks with columns for Name, Price, Div, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for Name, Price, Div, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for Name, Price, Div, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for Name, Price, Div, and other financial metrics.

DRAPERY AND STORES - Contd

Table listing drapery and store stocks with columns for Name, Price, Div, and other financial metrics.

ELECTRICALS

Table listing electrical stocks with columns for Name, Price, Div, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for Name, Price, Div, and other financial metrics.

ENGINEERING

Table listing engineering stocks with columns for Name, Price, Div, and other financial metrics.

ENGINEERING - Contd

Table listing engineering stocks with columns for Name, Price, Div, and other financial metrics.

ENGINEERING - Contd

Table listing engineering stocks with columns for Name, Price, Div, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for Name, Price, Div, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for Name, Price, Div, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for Name, Price, Div, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for Name, Price, Div, and other financial metrics.

INDUSTRIALS (Miscel.)

Table listing industrial stocks with columns for Name, Price, Div, and other financial metrics.

INDUSTRIALS (Miscel.)

Table listing industrial stocks with columns for Name, Price, Div, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for Name, Price, Div, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Table listing industrial stocks with columns for Name, Price, Div, and other financial metrics.

INSURANCES

Table listing insurance stocks with columns for Name, Price, Div, and other financial metrics.

INSURANCES

Table listing insurance stocks with columns for Name, Price, Div, and other financial metrics.

LEISURE

Table listing leisure stocks with columns for Name, Price, Div, and other financial metrics.

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LONDON SHARE SERVICE

Handwritten note: July 11 1988

LEISURE - Contd

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Newsprint, Newsprint, Newsprint, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, Textiles, Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of Mines stocks including Mines, Mines, Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft Trades, Motors, Aircraft Trades, etc.

PROPERTY

Table of Property stocks including Property, Property, Property, etc.

TOBACCO

Table of Tobacco stocks including Tobacco, Tobacco, Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, Overseas Traders, Overseas Traders, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, Plantations, Plantations, etc.

Commercial Vehicles

Table of Commercial Vehicles stocks including Commercial Vehicles, Commercial Vehicles, Commercial Vehicles, etc.

Components

Table of Components stocks including Components, Components, Components, etc.

Garages and Distributors

Table of Garages and Distributors stocks including Garages and Distributors, Garages and Distributors, Garages and Distributors, etc.

FINANCE, LAND, ETC

Table of Finance, Land, Etc stocks including Finance, Land, Etc, Finance, Land, Etc, Finance, Land, Etc, etc.

TEAS

Table of Teas stocks including Teas, Teas, Teas, etc.

THIRD MARKET

Table of Third Market stocks including Third Market, Third Market, Third Market, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, Newspapers, Publishers, Newspapers, Publishers, etc.

SHIPPING

Table of Shipping stocks including Shipping, Shipping, Shipping, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes and Leather, Shoes and Leather, Shoes and Leather, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, Oil and Gas, etc.

FINANCE

Table of Finance stocks including Finance, Finance, Finance, etc.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including Regional & Irish Stocks, Regional & Irish Stocks, Regional & Irish Stocks, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, Paper, Printing, Advertising, Paper, Printing, Advertising, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, South Africans, South Africans, etc.

TEXTILES

Table of Textiles stocks including Textiles, Textiles, Textiles, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, Oil and Gas, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, Trusts, Finance, Land, Trusts, Finance, Land, etc.

IRISH

Table of Irish stocks including Irish, Irish, Irish, etc.

A selection of Options traded is given on the London Stock Exchange Report page. This service is available in every Country dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each country.

Shand Committed to Construction

Shand Ltd.
Shand House, Mellock
Derbyshire DE4 3AF
Tel: (0529) 734441

Over £31m orders for Miller

MILLER CONSTRUCTION has been awarded contracts worth over £31.6m in the last six weeks. These include: Refurbishment and new extension for Sobsey & Co. in London W1, value £4m, an 84-week project which starts on August 1. Two design and build schools for Leeds City Council, value £3.2m, both 60-week projects, start today. Fitting out and Phase Four, Riverside Park, Poyle, value £1.4m. Forty-week contract has started. Fit out of new Sainsbury Supermarket in Grimsby, value £2.5m. Laboratory, office and production accommodation for Bio Separation Associates at Livingston, value £2.1m. Design and build office and industrial development for Allamanda Estates at Fareham, value £1m. Reading University, new short course accommodation and buttry, value £2.5m. This 72-week contract has just started. Office block for Fife Regional Council, value £4.1m. Office in Edinburgh for the Scottish Equitable Life Assurance Group, value £3.5m.

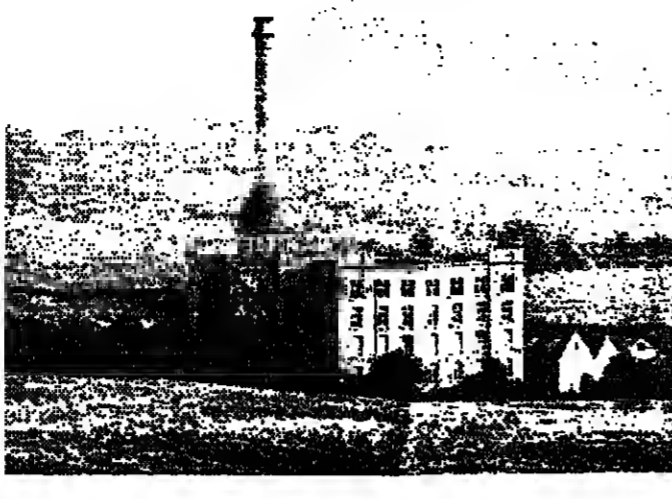
BORTON CONSTRUCTION, part of the Leading Leisure group, has won contracts worth over £2m. A contract to build a 33,750 sq ft, two-storey warehouse and offices at Brambles Farm, Waterloo, value £1.1m, has been awarded by Osmond & Osmond. A warehouse and offices totalling 15,648 sq ft, worth £675,000, is to be built for Tingles at Segensworth. A £304,000 contract for a warehouse and offices of 11,000 sq ft, has been awarded by Botley Flour Milling Company.

Devon County Council has awarded BALFOUR BEATTY CONSTRUCTION a £2.4m contract for construction of 2km of dual two-lane carriageway in flexible pavement on the A389 Orchard Land to Eagle Farm Road, near Torquay.

CONSTRUCTION CONTRACTS

Tweed mill into homes complex

A former tweed mill in the heart of the Cotswolds, at Chipping Norton, Oxfordshire, is being converted into a "country club" style homes complex under a £1.9m contract awarded to DIX BELGRAVIA by Bliss Mill Holdings. The building dates from 1872, and was used for high-quality cloth production until it closed in 1980. Designed by Lancashire mill architect George Woodhouse, the Grade II Listed building is described by English Heritage as "a remarkable ornate design in a park-like setting" and also "a fairly-type conception of a country house".



Under the contract, the mill and some associated outbuildings, will be converted to form 44 homes of between one and four bedrooms each. Completion is due in the summer of 1989. The main structure is of stone and brick with cast iron columns supporting transverse beams and brick vaults springing from T-section girders. This will remain unaltered, save for installation of an additional staircase and service ducts. The original "tuscan" chimney will be retained as a feature.

In the five-floor mill building, 34 apartments of between 800 and 2000 sq ft will be constructed, with interior design emphasising the building's Victorian origins. The former "warping shed" is to be converted to eight houses of between 1100 and 1450 sq ft, and the original gate lodge will provide two further homes of 1200 and 1400 sq ft. A further building will be converted to form garages. Site works will include a new road link to the A44, and landscaping.

Restoration work will make use of original materials, including slates, stone and cast iron columns, reclaimed from redundant buildings on site, which are being demolished. A feature of the development will be a leisure complex solely for the use of residents. This will include a covered swimming pool, squash court, tennis courts and gardens, fully-maintained by trained staff. Secretarial and meeting room facilities, plus a 'bar' line will also be provided to meet the needs of residents with business interests.

Leisure centre at York

LAING MANAGEMENT CONTRACTING has won a £20m job to build the Monks Cross shopping and leisure centre at York. The contract for the 400,000 sq ft, project was awarded by Standard Commercial Property Securities. Work begins on July 22, with completion scheduled for summer 1990. Situated two miles outside the town on the Malton Road, the centre will comprise 65 retail units plus department stores. All entrances will be at ground level, with two-level shopping inside. Facilities will include a ten-screen multiplex cinema, seating about 2,000 people.

Spread of work for Kier

KIER WESTERN, part of Beazer, has been awarded contracts with a combined value of almost £15m. These include student accommodation (£2.9m) for Bath University; four retail units (£2.4m) for Longcroft Estates in Docks Way, Newport, Gwent; the fitting out contract for a new office development (built by Kier Western) at Barnwood Fields, Gloucester (£1.9m) for Imperial Trident; factory units for the Welsh Development Agency (£1.9m) at Oakdale, and a nursing home in Plymouth (£1m) for Trenwarth. Design and build projects include 78 flats in Swansea (£1.7m) for Kingdome Developments; and a clubhouse for Knowle Golf Club (£300,000) Bristol. Other projects include the refurbishment of Monmouth Walk at Cwmbran Town Centre (£300,000) for Ladbroke City and County Land Co., a primary school (£1.3m) for Gwent County Council and a primary school (£1.2m) for Mid Glamorgan County Council.

Water treatment plant

NORWEST HOLST has been awarded a contract worth nearly £7.5m to construct a water treatment plant in Renfrewshire, Scotland, for Strathclyde Regional Council at Muirkykes Treatment Works.

Work includes construction of buildings to house the dissolved air flotation cells, rapid gravity filters and sludge treatment plant. Four tanks will also be installed - a washwater tank, an underground contact tank, a 19,800 cu metres low-level clear water tank and a 9,300 cu metres high-level clear water tank.

When completed in summer 1990, the plant will treat raw water at a maximum rate of 60 megalitres per day, process the waste and store the treated water.

DIARY DATES

TODAY

Commons: European Communities (Finance) Bill, second reading. Motion on the Rate Support Grant (Scotland) Order. Court of Session Bill, remaining stages. Lords: Housing Bill, second reading. Motions on Town and Country Planning Regulations, Environmental Assessment Regulations, and Highways (Assessment of Environmental Effects) Regulations. Select committee: Televising of the proceedings of the House. Witnesses: Broadcast Debates and Broadcast Communications. (Room 8, 6 p.m.)

TOMORROW
Commons: Opposition debate on the growing divide between rich and poor in London" followed by debate "Public Provision for Sport for All".

COMPANY MEETINGS

Gates (P.L.C.), Bannock, Queen Mary College, 9B-10 High Road, Woodford, 12.30
Morrice and Allied Spoolers, Bowring Green Road, Scourbridge, West Midlands, 10.30
BOARD MEETINGS
Acis Group
Cardio Engineering
Crawford Laboratories
Els and Gifford
Joseph (Lapport)
Kroon and Kappers
Mandell Perkins
Safars Int.
Spartan House
Merricks
Barclay-Hodge
Cora Tam Int.
Kroon Gp.
Kroon Gp.
DIVIDEND AND INTEREST PAYMENTS
National Westminster Bank (10.30)
Harris Chemamery 4p
Norden MacLennan 3.25p
Norden MacLennan 3p
Norden MacLennan 3p
Norden MacLennan 3p
Norden MacLennan 3p
London & Prov. Shop Centres New 10p 1st Mtg. Feb. 20th 9.15am
London & Prov. Shop Centres New 10p 2nd Mtg. Feb. 27th 9.15am
London & Prov. Shop Centres New 10p 3rd Mtg. Mar. 6th 9.15am
London & Prov. Shop Centres New 10p 4th Mtg. Mar. 13th 9.15am
London & Prov. Shop Centres New 10p 5th Mtg. Mar. 20th 9.15am
London & Prov. Shop Centres New 10p 6th Mtg. Mar. 27th 9.15am
London & Prov. Shop Centres New 10p 7th Mtg. Apr. 3rd 9.15am
London & Prov. Shop Centres New 10p 8th Mtg. Apr. 10th 9.15am
London & Prov. Shop Centres New 10p 9th Mtg. Apr. 17th 9.15am
London & Prov. Shop Centres New 10p 10th Mtg. Apr. 24th 9.15am
London & Prov. Shop Centres New 10p 11th Mtg. May 1st 9.15am
London & Prov. Shop Centres New 10p 12th Mtg. May 8th 9.15am
London & Prov. Shop Centres New 10p 13th Mtg. May 15th 9.15am
London & Prov. Shop Centres New 10p 14th Mtg. May 22nd 9.15am
London & Prov. Shop Centres New 10p 15th Mtg. May 29th 9.15am
London & Prov. Shop Centres New 10p 16th Mtg. Jun 5th 9.15am
London & Prov. Shop Centres New 10p 17th Mtg. Jun 12th 9.15am
London & Prov. Shop Centres New 10p 18th Mtg. Jun 19th 9.15am
London & Prov. Shop Centres New 10p 19th Mtg. Jun 26th 9.15am
London & Prov. Shop Centres New 10p 20th Mtg. Jul 3rd 9.15am
London & Prov. Shop Centres New 10p 21st Mtg. Jul 10th 9.15am
London & Prov. Shop Centres New 10p 22nd Mtg. Jul 17th 9.15am
London & Prov. Shop Centres New 10p 23rd Mtg. Jul 24th 9.15am
London & Prov. Shop Centres New 10p 24th Mtg. Aug 1st 9.15am
London & Prov. Shop Centres New 10p 25th Mtg. Aug 8th 9.15am
London & Prov. Shop Centres New 10p 26th Mtg. Aug 15th 9.15am
London & Prov. Shop Centres New 10p 27th Mtg. Aug 22nd 9.15am
London & Prov. Shop Centres New 10p 28th Mtg. Aug 29th 9.15am
London & Prov. Shop Centres New 10p 29th Mtg. Sep 5th 9.15am
London & Prov. Shop Centres New 10p 30th Mtg. Sep 12th 9.15am
London & Prov. Shop Centres New 10p 31st Mtg. Sep 19th 9.15am
London & Prov. Shop Centres New 10p 32nd Mtg. Sep 26th 9.15am
London & Prov. Shop Centres New 10p 33rd Mtg. Oct 3rd 9.15am
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WORLD STOCK MARKETS

Handwritten note: July 11/88

Table with columns for Country, Stock Name, Price, and Change. Includes sections for Australia, France, Germany, and Japan.

Table with columns for Country, Stock Name, Price, and Change. Includes sections for Italy, Sweden, Switzerland, and South Africa.

CANADA

Table with columns for Stock Name, Price, and Change. Includes sections for Toronto and Montreal closing prices.

Table with columns for Country, Stock Name, Price, and Change. Includes sections for Australia, France, Germany, and Japan.

Table with columns for Country, Stock Name, Price, and Change. Includes sections for Italy, Sweden, Switzerland, and South Africa.

OVER-THE-COUNTER

Table with columns for Stock Name, Price, and Change. Includes sections for Nasdaq market and various OTC stocks.

Table with columns for Country, Stock Name, Price, and Change. Includes sections for Australia, France, Germany, and Japan.

Table with columns for Country, Stock Name, Price, and Change. Includes sections for Italy, Sweden, Switzerland, and South Africa.

INDICES

Table with columns for Index Name, Value, and Change. Includes sections for New York Dow Jones, Tokyo Nikkei, and other regional indices.

Table titled 'CHIEF LONDON PRICE CHANGES' showing price movements for various commodities and currencies.

Table titled 'TOKYO - Most Active Stocks' listing the top performing stocks in the Tokyo market.

Advertisement for 'Travelling on Business' featuring the Financial Times newspaper and a list of hotels in Stockholm, Gothenburg, and Malmo.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

32

Closing prices July 8

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change.

Continued on Page 33

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Vol 101/10

NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Close prices.

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Close prices.

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Close prices.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered in Germany' and similar text for other regions.

Advertisement for 'OVER-THE-COUNTER' listing various stocks and their prices.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

A difficult week for not stating the obvious

BY COLIN MILLHAM

A COMPETITION begins today for all market analysts with input screens on Reuter Monitor, Telerate, or any other system. There are no prizes, but the name of the game is to be the last to mention the fact that financial markets are adopting a wait and see attitude ahead of the US trade figures on Friday.

remains under \$12m, but it remains to be seen whether the dollar can improve on its recent performance. The dollar has been above Y135 this month, and it does not seem to be out of the question that it could reach Y140 in the short term, but there is a strong body of opinion looking for another weakening of the currency in the longer term.

Forecasts were in the region of 225,000, and the larger than expected rise led to speculation the Federal Reserve may become concerned about the inflationary implications. The possibility of tighter US monetary policy, and a rise in interest rates as a result, boosted the dollar as the week drew to a close.

figure on average earnings for May. There is concern that the rising cost of commodities will combine with a strong rise in average earnings to put upward pressure on inflation. County NatWest expects a rise of 2.2 p.c. in seasonally adjusted input producer prices, compared with 2 p.c. in May, with Phillips and Drew believes the rise could be as low as 0.6 p.c.

The increase in average earnings will be unchanged at 8.7 p.c. in May according to Warburg Securities, Phillips and Drew, and Nomura Research Institute, but rise to 9 p.c. on the calculations of County NatWest.

Mr Nigel Richardson, an economist at Warburg Securities, said he thought average earnings will be shown to have risen by 9 p.c. in June, as a result of the nurses pay award. With the markets already worried about the implications of high bank lending on inflation, any bad news about commodity prices and the level of earnings, could be seen as the herald of yet another rise in UK bank base rates.

£ IN NEW YORK

Table with columns for date, price, and change. Includes data for July 8 and 7.

STERLING INDEX

Table showing Sterling Index values for July 8 and 7, with columns for date, index value, and change.

CURRENCY RATES

Table of currency rates for various countries including Australia, Canada, Hong Kong, etc.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies like Sterling, US Dollar, etc.

OTHER CURRENCIES

Table listing other currencies such as Argentine, Brazil, India, etc.

FORWARD RATES AGAINST STERLING

Table of forward rates for US Dollar, Swiss Franc, etc.

MONEY MARKETS

FT LONDON INTERBANK FIXING

Table of interbank fixing rates for various currencies.

BANK OF ENGLAND TENDER

Table of Bank of England tender rates for different terms.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly changes in interest rates for London, Tokyo, Brussels, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table of EMS European currency unit rates for various countries.

POUND SPOT-FORWARD AGAINST THE POUND

Table of pound spot and forward rates against the pound.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table of dollar spot and forward rates against the dollar.

EURO-CURRENCY INTEREST RATES

Table of Euro-currency interest rates for various currencies.

EXCHANGE CROSS RATES

Table of exchange cross rates for various currencies.

PHILADELPHIA 90 DAY OPTIMUM

Table of Philadelphia 90 day optimum rates.

LIFFE LONG GILT FUTURES OPTIMUM

Table of Liffe long gilt futures optimum rates.

LIFFE 90 DAY OPTIMUM

Table of Liffe 90 day optimum rates.

LIFFE 3 MONTH OPTIMUM

Table of Liffe 3 month optimum rates.

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LIFFE 198 MONTH OPTIMUM

Table of Liffe 198 month optimum rates.

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